

INTERNATIONAL NEWS

Brussels' new merger control body proves fleet of foot

EC investigators may face a few tricky business encounters on the road to a more competitive Europe, writes Andrew Hill

GIVING the European Community's new merger-control body the title "task force" was a risk. When it was set up last September, sceptics thought it might prove to be neither forceful nor up to the task.

None of the later officials who make up the team are pleased with their progress. By standards of most EC investigators, the task force is proving fleet of foot. It is small - only 50 including secretarial staff - and it is speedy: more than 30 deals have been scrutinised under the new merger regulations.

One in-depth inquiry has been completed, and two more were effectively finished last week, before the required four-month deadline.

National merger-control authorities, with which Brussels has to work closely, have been pleasantly surprised by the efficiency of the new system.

But whether the Commission has yet done enough to stitch its own pattern onto the patchwork of national merger policy in the EC is doubtful.

Partly that is because the task force is still young. Some philosophical questions about merger policy still have to be answered: for example, whether the task force should, like US authorities, consider the influence of oligopolies - groups of dominant companies - on the market. Easy last-minute amendments to the legislation have also left some legal questions in need of clarification.

It is no secret that Mr Colin

EC MERGERS: TASK FORCE TIMETABLE

Sept 21, 1990: New merger regulations come into force.
Jan 21, 1991: Task force begins first in-depth investigations into two aspects of link-up between Fiat and Alcatel-Alsthom: merger between Alcatel and Telettra (Fiat) telecom subsidiaries; and partial merger of Magneti-Marelli (Fiat) and CEAC (Alcatel-Alsthom) battery-making operations.
March 19: Task force begins in-depth investigation into Tetra Pak's agreed bid for Alfa-Laval.
April 12: Commission approves Alcatel/Telettra deal, with conditions to ensure competition in Spanish telecoms. Task force begins in-depth probe of proposed Robert Bosch/Varta merger.
May 22: Commission agrees to approve Magneti-Marelli/CEAC deal, on condition Fiat cuts stake in large French battery producer and limits board representation.
May 23: Commission lifts suspension of Tetra Pak/Alfa-Laval bid as prelude to unconditional approval of deal.
May 24: Final approval of Magneti-Marelli/CEAC deal expected.
June/July: Formal approval of Tetra Pak/Alfa-Laval bid expected.
Aug 20: Deadline for decision on Varta/Bosch deal.

There is a school of thought that believes Sir Leon Brittan (pictured right), the European Community competition commissioner, should take an even harder line

Overbury, who heads the team, would like the Commission to propose lowering the threshold for mergers which can be investigated by Brussels.

At the moment, combined turnover must total Ecu500m (£5.95bn) to trigger an initial inquiry. But even Mr Overbury admits it could not and should not be done immediately. The task force is still learning, and some analysts believe it has yet to encounter a really knotty merger problem.

"The difficulty is that to a degree they have not yet reached any of the hard cases," says Mr Bill Allan, a partner with the UK lawyer Linklaters & Paines. "We were rather looking to the Tetra Pak case as one where they might feel it

necessary to take harder action."

Instead, the task force last week allowed Tetra Pak, the private liquid packaging group, to go ahead with its bid for Alfa-Laval, the Swedish food processing equipment company, in advance of formal approval due in July, thus demonstrating an unexpected readiness to stretch the procedural rules.

In fact, this decision may be a better indication of the team's style than its aggressive, go-getting title.

"We're not in the business of busting [deals] - we're not soft, but we're prepared to talk," says one senior official, pointing out that the preamble to the merger regulations

implies that mergers are, at least in theory, a good thing.

Certainly, recent decisions have illustrated a desire to thrash out compromise solutions, to try out new ideas, and not clog up commercial transactions unnecessarily.

At the beginning of the month, for example, Fiat of Italy agreed to loosen its hold

on tractor dealerships in its domestic market to win EC approval for its purchase of Ford's New Holland agricultural machinery subsidiary.

That deal came only a fortnight after Sir Leon Brittan, the competition commissioner, had told Fiat it would have to sell most of its stake in a large French battery-maker if it wanted to take a controlling

interest in the battery operations of France's Alcatel-Alsthom. After a month of hard talking, Fiat agreed to the divestment early last week and Sir Leon will go to his Commission colleagues tomorrow to recommend approval of the deal.

So dialogue between task force and companies, or task force and member states, seems to have been relatively open and productive since the September launch. Indeed, to the dismay of merger specialists, the fiercest discussions on evolving EC competition policy seem to have been between Sir Leon and his fellow commissioners.

Last November, Sir Leon was outvoted by Commission colleagues who approved a merger giving two Dutch coffee manufacturers 70 per cent of the Benelux market, against his recommendation.

Signed by that defeat, competition officials are now preparing a guidelines paper which will attempt to clarify the definition of "relevant market" - the bone of contention in the coffee deal - to help decide jurisdiction in merger cases.

It may also assist in reducing friction between Commission advocates of competition policy and those who promote industrial and internal market policy. The two sides have already locked horns once over the Fiat battery deal.

According to competition

Bonn and Brussels attack west German coal subsidy scheme

By David Goodhart in Bonn

THE west German coal industry's DM100m (£5.8bn) in annual subsidy is under renewed attack in Bonn and Brussels and is unlikely to receive the year in its present form.

Today Mr Jürgen Möller

mann, the Bonn economics minister, meets two EC commissioners, Mr Leon Brittan, competition, and Mr Antonio Cardoso e Cunha, energy, to discuss German coal's two protected markets, electricity supply and steel.

All three men agree that the current situation cannot continue on competition and energy policy grounds and even Chancellor Helmut Kohl has hinted that coal cannot be excluded from the campaign to cut subsidies in west Germany to help pay for the integration of east Germany.

Currently, under the so-called "Jahrhundertrag", German consumers pay a surcharge on their electricity bills to compensate electricity suppliers for having to buy a fixed amount of German coal at about DM180 (£105) a tonne above the world market price.

That system has been permitted by Brussels up until 1995, but the annual tonnage of coal covered by the scheme has

last year it was just over 40m tonnes, this year the EC wants it reduced to about 36m and then down to 30m in 1993.

The EC says, however, that it cannot spell out the figures precisely until it has received a long overdue plan from Bonn for restructuring the coal industry.

Mr Möllermann shares Brussels' dislike of the system, and of Bonn's direct subsidy of steel producers to buy German coal, but faces strong domestic resistance to any attempt to dismantle it.

Nevertheless, now is a good time to try. The pressure from Brussels and Bonn's need to reduce subsidies are both acute and the Gulf war seems to have weakened the old security of supply argument.

An even stronger argument is the dismantling of the east German brown coal industry, which will shed 70,000 jobs in the next two to three years. As Mr Möllermann said recently it is unfair to sack the east German miners while their equally unprofitable western counterparts enjoy full job security.

Mr Möllermann is due to present a national energy plan this autumn which will certainly be gloomy reading for the coal industry.

It is, however, unlikely to contain much cheer for the nuclear industry either. Initial hopes of building new nuclear plants in the east have been dashed and the long sought national consensus over nuclear energy is as far away as ever.

French jobless rate rises 1.3% in April

By William Dawkins in Paris

THE FRENCH jobless rate rose steeply last month, taking the number of registered unemployed from 2,603,100 in March to 2,636,700 in April, the Labour Ministry said.

This represents a 1.3 per cent month-on-month rise in the number out of work, more than 10 times the steady 0.1 per cent average monthly rises shown in the number of French jobless over the first quarter of the year.

The figures appear in the wake of France's latest out-break of suburban violence over the weekend, in which youngsters looted shops and burned cars in high unemployment areas in a dormitory town west of Paris, and in Toulouse, Saint-Etienne and Caen.

The Labour Ministry blamed the rise on a decline in industrial jobs... reflected in a sharp rise in male than female unemployment. France had an overall unemployment rate of 8.4 per cent last month, against 8.3 per cent in March, well ahead of the latest Organisation for Economic Co-operation and Development average of 6.1 per cent in March.

Mr Martine Aubry, Labour Minister, attributed the increase to a sharp rise in the number of people signing on at the ANPE state employment agency, up by a seasonally adjusted 0.1 per cent over the past year.

Within that, the number signing on due to redundancy rose by 1.1 per cent over the year. The number out of work overall rose by a seasonally adjusted 0.9 per cent in the 12 months to April.

• A French youth of Arab origin arrested during weekend riots in a Paris immigrant suburb died yesterday after a heart attack in police custody, Reuter reports from Paris.

Officials said Idris Aissa, 18, suffered an asthma attack while being transferred from police cells to a magistrate's chamber, and died on reaching hospital. Police immediately opened an inquiry into the death.

Some 100 youths threw petrol bombs at riot police in a second night of violence at Mantes-la-Jolie, west of Paris. Five people were arrested.

The Financial Times (Europe) Ltd.
Published by the Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main, FRG), Tel: (069) 722677; Telex 416193; reported by E. Hesse, Frankfurt/Main, and, as members of the Board of Directors, G. T. Miller, D. E. P. Palmer, Main shareholders: The Financial Times Limited, London, Tel: (01) 4297062; D. E. P. Palmer, Main shareholder: The Financial Times (Europe) Ltd., Frankfurt Branch (Gutenbergstrasse 54, 6000 Frankfurt am Main

INTERNATIONAL NEWS

Fiery nationalist secures big majority in Georgia

By Lyle Boultton in Moscow

MR Zviad Gamsakhurdia, a fiery former dissident with authoritarian tendencies, has been elected president of Georgia in the Soviet Union's first direct elections of a republican president.

The man who has led Georgia since October, when he became chairman of the republic's parliament, will no doubt interpret the overwhelming majority in his favour as a mandate to continue his policy of confrontation towards Moscow to obtain independence.

Mr Gamsakhurdia, 32, picked up 87 per cent of the vote, according to preliminary results published yesterday. The runner-up, Mr Vakhtang Adzhomadze, head of Georgia's Economic Institute, secured a mere 6 per cent, followed by Mr Jimmy Mikheilashvili, the first secretary of the Communist party, with 1.5 per cent.

Mr Gamsakhurdia, who has already accumulated considerable personal power, inaugurated Georgia's new National Guard, an embryonic republican army, at the weekend.

Moscow plans to triple nuclear energy capacity

By Our Moscow Correspondent

THE Soviet government, undeterred by the 1986 Chernobyl disaster, plans to boost nuclear energy capacity and sales of uranium on world markets.

Mr Vitaly Konovarov, the Soviet minister for Atomic Energy, said in a weekend interview in Pravda, the communist party newspaper, that his ministry planned to build an extra 15,000MW of capacity over the coming decade, tripling existing capacity by the year 2000. With an average reactor capable of 1,000MW this would amount to about 20 new reactors.

He said nuclear energy was the most economically-efficient way of meeting future electricity needs and cited the limitations and increasing costs of expanding gas and oil output.

Acknowledging that Chernobyl had seriously undermined confidence in the industry and held up its growth, Mr Konovarov said the government was counting on a new generation of safe reactors. These are basically a second-generation of the RBMK reactor which blew up at Chernobyl, incorporating new western-inspired safety features.

Mr Konovarov also said the government planned to increase the production of uranium by 40 to 50 per cent by 1995 and expected sales on the free market to average 5,000

tonnes a year.

Moscow is currently discussing possible cooperation with France and other nuclear powers to help overhaul its nuclear industry, as well as to enrich uranium.

Meanwhile, oil and gas workers yesterday reached an outline agreement with the ministers responsible for energy extraction to double their pay by the end of the year.

Mr Vasily Veryovkin, deputy chairman of the Russian union of oil and gas workers, said however, the agreement still had to be cleared by Mr Valentin Pavlov, the Soviet prime minister. He said the agreement provided for an initial pay increase of 40 per cent from July 1, with a further rise to 75 per cent in the third quarter, and 100 per cent in December.

Oil and gas workers, whose industry is the Soviet Union's main source of hard currency have threatened industrial action unless their demands are met. They have also proposed a formula for gradually freeing the domestic price of oil and gas to help finance pay increases.

The official responsible for the Soviet Union's strategic stocks has expressed alarm at their depletion to help enterprises overcome current shortages of supplies such as aluminum.

EC divided over energy competition

By Andrew Hill in Brussels

ENERGY suppliers, consumers and national governments are split on whether and how to introduce competition into the European Community energy market.

Reports from special committees, which have just been submitted to the European Commission, talk of "major differences of view" over the advantages and disadvantages of allowing third parties access to EC gas and electricity networks.

The shortage of common ground between the interest groups means the Commission, which is attacking public gas and electricity monopolies with all legal powers available, may have to rely on a strict legislative approach if it wants to introduce more competition.

Proposals are now being drafted and will be put to energy ministers in the next few months.

Industry critics believe third-party access, which would allow large power users to buy electricity and gas from cheaper suppliers in other EC countries, could threaten security of supply to existing users and jeopardise investment plans.

It is not surprising, the Commission says, that the gas and electricity industry has broadly come down against changing the existing structure, although member states and consumers favour improved competition.

SWIM, FISH, SHOOT AND RIDE AT GLENEAGLES, THE WELL KNOWN GOLFING HOTEL.

If you think The Gleneagles Hotel is one of the finest places in the world to play golf, you're right.

If you think The Gleneagles Hotel is only one of the finest places in the world to play golf, think again. Gleneagles has so much to entice visitors that even if you've never swung a six iron in anger you can still have the holiday of a lifetime.

Our Equestrian centre, for example, has an indoor arena bigger than Wembley. And the Shooting school has every clay target you could possibly want to pot at. There's a Country Club to tone you up, a Champsneys to slow you down, there's tennis, croquet, billiards, superb food, luxurious rooms...

And of course the Scottish Highlands, so beautiful, so peaceful, all around you. What more could you want?

Well, how about a special seven night offer - just £118 per person per night including full Scottish breakfast, gourmet dinner, VAT, and a round of golf on the famous King's or Queen's course. Not a bad reason to take up golf, perhaps.

TO BOOK, CONTACT LYNNE PATERSON AT THE HOTEL ON 0764 62231.



THE
GLENAGLES
HOTEL

Auchterarder,
Perthshire, Scotland PH3 1NF



Gamsakhurdia: early results show the increasingly authoritarian Georgian picked up 87% of the vote in the presidential poll

European airlines fear loss of assets

By David Gardner in Brussels

THE EC Commission's plans to liberalise air transport will lead to higher costs and more bureaucracy, Europe's big airlines complained yesterday.

The Association of European Airlines (AEA), which groups 22 scheduled carriers, was attacking Brussels' plans to make them cede some airport capacity to lower cost competitors.

It said the Commission's attempt to force the redistribution of landing and take-off "slots" to accommodate smaller airlines would strip the industry of some of its assets.

"We do not know of any other sector of economic activity where major monopolists have been ordered to relinquish part of their facilities in order to make room for new producers," Mr Bernard Attali, chairman of Air France and the AEA, said.

Brussels wants unused and new slots to be made available to new entrants into what it regards as an industry divided into 12 national markets, nearly monopolised by flag carriers. Its plans face stiff opposition from member states, many of which own a national airline.

The flag carriers' lobby said the Commission's plan avoided the real issue, which was the need to expand air transport infrastructure.

The attack comes as Brussels finalises plans for an even more far-reaching measure, to move from national licensing systems for airlines, to EC-set capital adequacy and technical fitness standards. The current licensing system is often used to shut out new entrants.

Brussels limbers up for farm reform

By David Gardner in Brussels

THE European Commission believes the way is clear for reform of the EC's existing agriculture regime. It recognises, however, that reform plans will be more expensive than the current, budget-busting Common Agricultural Policy (CAP) and it is sure to be fiercely resisted by farmers and farm ministers.

Agreement was reached late on Friday night on this year's farm price package, after three months during which 10 member states tried to force Brussels to push up the agriculture budget ceiling, set by an EC summit three years ago.

The price accord, sealed after 50 hours of negotiation and on

the fifth attempt since February, will cost more than the Commission had wanted. But it represents an important political victory for Mr Ray MacSharry, EC agriculture commissioner, three weeks before he unveils his blueprint to remodel the 20-year-old CAP.

"MacSharry hopes that those who wanted to waste more money on the existing CAP will be willing to spend more on the next [EC agriculture] system," one of his senior aides said yesterday.

The MacSharry reform, a version of which leaked in January, wants to cut the EC's increasing overproduction of food and grain by reducing

subsidised prices sharply. Farmers would be compensated by direct payments linked to farm size, previous average yield per hectare, and regional conditions, rather than the amount they produce.

This would abolish the CAP's built-in incentive to produce ever-increasing amounts.

The leaked version of the reform provoked an outcry because large farms - generally the most competitive - would be only partially compensated, and only if they "set aside" or took land out of production. This would help Round world trade liberalisation talks, which is in an impasse caused

largely by huge EC and US subsidies to dump surplus farm output abroad.

But France, the EC's agricultural superpower, is resisting the plan strongly, as is the UK.

It now looks as though Brussels will suggest more general compensation, leaving EC finance ministers and heads of government to face up to the financial consequences.

In the meantime, it has explicitly established the trade-off between subsidies and "set-aside" in this year's price regime, where a 5 per cent production tax on cereals - a disguised cut in price support - can be avoided by leaving 15 per cent of land fallow.



Believe it or not Vladimir makes the same business decisions as you.

It is hard to imagine a business environment more different than Vladimir's Russia.

But business is business wherever you are. And Perestroika has meant so many changes - even the introduction of the latest computerised office technology.

Star Micronics now exports printers to Russia. They are the same machines used everywhere else in the world. And they do the same jobs.

Because, although Vladimir's environment is different, his essential business need to communicate isn't.

So he wants a printer which gives quality results, is easy to use, - and can be relied upon. And like everyone else, he needs to watch the Roubles.

All Star products are designed and produced with this philosophy.

So you will find them all over the world.

Printers designed for people, not machines.

star
micronics

Star Micronics U.K. Ltd is a wholly owned subsidiary of Star Micronics Co. Ltd, Japan.
Tel: (0604) 471111. Fax: (0604) 473333

APPOINTMENTS

FIXED INCOME SALESPERSON

A leading international investment group requires a Fixed Income Salesperson to originate and market the group's financial products to Japanese institutions. The incumbent, aged 25-30, must be fluent in English and Japanese, educated to degree standard, have 4 years' industry related experience, be familiar with Japanese client base from a business and cultural perspective and have in depth knowledge of U.S. fixed income securities and their use by Japanese clients. Additionally, must have thorough knowledge of debt products and markets worldwide, specifically syndicated loans, private placements and asset swaps. Strong communication and interpersonal skills essential. Salary negotiable.

Please write in strictest confidence, enclosing full curriculum vitae, to Box A1521, Financial Times, One Southwark Bridge, London SE1 9HL.

COMPANY NOTICES

CONTINENTAL (BERMUDA) LIMITED

US\$250,000 Floating Rate Notes due 2006 Guaranteed by Hanoverian Foreign Trade Bank Ltd
Notice is hereby given that for the Interest Period 28th May, 1991 to 28th August, 1991, a period of 92 days, the Rate of Interest will be 6.3125 per cent per annum. The Interest Amount payable on the Interest Payment Date 28th August, 1991 will be US\$4,032.59 for each Note of US\$250,000.

Agent Bank
Dear Winter Capital Markets International

LEGAL NOTICE

IN THE MATTER OF THE INSOLVENCY ACT 1986 and in the matter of CYNON VALLEY ENGINEERING CONTRACTORS LIMITED

NOTICE IS HEREBY GIVEN that it is my intention to declare a dividend to unsecured non-preferential creditors of the above-named company no later than 30 June 1991. Creditors who have not yet done so are required, so or before 7 June 1991, to send their proofs of debt to Cork Gully, Churchill House, Churchill Way, Cardiff, CF1 4XQ and, if so requested, to provide such further details or produce such documentary or other evidence as may appear to the liquidator to be necessary. A creditor who has not proved his debt by the date specified will be excluded from the dividend.

J P Corstine
Liquidator

Dated 17 May 1991

In the matter of THE INSOLVENCY ACT 1986 and in the matter of SUPABODY PRODUCTS (WALES) LIMITED

NOTICE IS HEREBY GIVEN that it is my intention to declare a dividend to unsecured non-preferential creditors of the above-named company no later than 30 June 1991. Creditors who have not yet done so are required, so or before 7 June 1991, to send their proofs of debt to Cork Gully, Churchill House, Churchill Way, Cardiff, CF1 4XQ and, if so requested, to provide such further details or produce such documentary or other evidence as may appear to the liquidator to be necessary. A creditor who has not proved his debt by the date specified will be excluded from the dividend.

J P Corstine
Liquidator

Dated 17 May 1991

In the matter of THE INSOLVENCY ACT 1986 and in the matter of SUPABODY PRODUCTS (WALES) LIMITED

NOTICE IS HEREBY GIVEN that it is my intention to declare a dividend to unsecured non-preferential creditors of the above-named company no later than 30 June 1991. Creditors who have not yet done so are required, so or before 7 June 1991, to send their proofs of debt to Cork Gully, Churchill House, Churchill Way, Cardiff, CF1 4XQ and, if so requested, to provide such further details or produce such documentary or other evidence as may appear to the liquidator to be necessary. A creditor who has not proved his debt by the date specified will be excluded from the dividend.

J P Corstine
Liquidator

Dated 17 May 1991

In the matter of THE INSOLVENCY ACT 1986 and in the matter of SUPAMARINE LIMITED

NOTICE IS HEREBY GIVEN that it is my intention to declare a dividend to unsecured non-preferential creditors of the above-named company no later than 30 June 1991. Creditors who have not yet done so are required, so or before 7 June 1991, to send their proofs of debt to Cork Gully, Churchill House, Churchill Way, Cardiff, CF1 4XQ and, if so requested, to provide such further details or produce such documentary or other evidence as may appear to the liquidator to be necessary. A creditor who has not proved his debt by the date specified will be excluded from the dividend.

J P Corstine
Liquidator

Dated 17 May 1991

In the matter of THE INSOLVENCY ACT 1986 and in the matter of VALJAPAN LIMITED (FORMERLY CEDERGREN DAIRIES LIMITED)

NOTICE IS HEREBY GIVEN that it is my intention to declare a dividend to unsecured non-preferential creditors of the above-named company no later than 30 June 1991. Creditors who have not yet done so are required, so or before 7 June 1991, to send their proofs of debt to Cork Gully, Churchill House, Churchill Way, Cardiff, CF1 4XQ and, if so requested, to provide such further details or produce such documentary or other evidence as may appear to the liquidator to be necessary. A creditor who has not proved his debt by the date specified will be excluded from the dividend.

J P Corstine
Liquidator

Dated 17 May 1991

In the matter of THE INSOLVENCY ACT 1986 and in the matter of HESSELBERG HYDRO LIMITED

NOTICE IS HEREBY GIVEN that it is my intention to declare a dividend to unsecured non-preferential creditors of the above-named company no later than 30 June 1991. Creditors who have not yet done so are required, so or before 7 June 1991, to send their proofs of debt to Cork Gully, Churchill House, Churchill Way, Cardiff, CF1 4XQ and, if so requested, to provide such further details or produce such documentary or other evidence as may appear to the liquidator to be necessary. A creditor who has not proved his debt by the date specified will be excluded from the dividend.

J P Corstine
Liquidator

Dated 17 May 1991

CLUBS

WE have outlawed others due to policy of fair play and value for money. Supper from 10.30-11.30 am. Glamorous atmosphere, exciting cabaret. 189 Regent St. W1 071-734 2927

AUTOMATIC IDENTIFICATION

The FT proposes to publish this survey on June 17 1991.

The Financial Times unsurpassed reputation for producing topical authoritative editorial, ensures that this survey will be an essential point of reference for all business interested in fast and accurate automatic data capture.

If you want to reach this important audience, call Jessica Parry on 071 873 4611 or fax 071 873 3062.

FT SURVEYS

BUSINESSES FOR SALE

MULTIPLEX CONSTRUCTION COMPANY LIMITED

The Joint Administrative Receivers offer for sale the business and assets of an established steel construction company:

- * Specialists in steel erection, heavy lifting equipment, welding and thermite welding and design and fabrication work.
- * Occupies long-leasehold premises at Bottesford, Scunthorpe, South Humberside.
- * Range of steel fabrication and heavy lifting equipment.
- * Approximately 45 employees.
- * Annual turnover approaching £4 million.

For further information contact:

Alan Katz or Kevin Mawer
Arthur Andersen & Co.
St. Paul's House
Park Square
Leeds LS1 2RJ.

Tel: 0532-438222

Fax: 0532-416397

ARTHUR
ANDERSEN
ACCOUNTANTS

Elastic Tape Manufacturing Facility

ALFALASTEX Ltd. (In Liquidation)

LOCATION: CO. CAVAN, IRELAND.

For sale, the business and assets associated with the natural rubber tape manufacturing and processing facility of the Company, situated 60 miles from Dublin at Ballyjamesduff, Co. Cavan.

The complex, located on a site of 10 acres comprises 3 Comerio Mixing Mills, 1 Comerio 4-roll calender, 2 Rotogi vulcanising Ovens and slitting and packing plant. The buildings are leasehold and comprise of c. 54,000 sq. ft. of factory, warehousing, office and ancillary accommodation.

A skilled labour force is available.

ENQUIRIES TO:

Rory O'Ferrall, F.C.A., or Barry Caldwell, A.C.A., Deloitte & Touche, Chartered Accountants, Earlsfort Centre, Earlsfort Terrace, Dublin 2, Ireland. Telephone: Dublin 618311. Telex: 30232 TRDN EL. Fax: Dublin 618622.

Deloitte & Touche

Chartered Accountants

BUSINESSES FOR SALE

Tuesdays, Saturdays and now FRIDAYS

For further information please contact

Gavin Bishop on 071-873 4780

or

Melanie Miles on 071-873 3308

THE BUSINESS SECTION ALSO APPEARS ON

PAGES 14 & 15 TODAY

FOR SALE
"TRAVEL WEEKLY"

The Joint Administrative Receivers offer for sale the business and assets of International Travel Publishing Limited, a company trading from Heathcote Road, London SW6.

The principal assets include:-

- The rights to publish "Travel Weekly", the UK's only travel industry publication produced specifically for travel agents, with a weekly circulation of over 21,000 copies (19,000 requested).
- The subscription and customer lists of the Journal.
- Work-in-progress.
- Advertising contracts and subscription contracts for the Journal.
- Leasehold premises/office equipment/stocks.
- Turnover in excess of £1,300,000 per annum.

For further information, please contact either Edward Wacey, Helen Sinclair or Ruth Porter of Buchler Phillips & Co, 84 Grosvenor Street, London W1X 9DF. Telephone: 071-493 2550. Facsimile: 071-629 9444.

b BUCHLER PHILLIPS & CO.

INTERNATIONAL NEWS

Seoul warned of 'damage' to EC relations

Fast GNP growth in S Korea

MR FRANS Andriessen, vice-president of the European Community commission, yesterday warned South Korea that a failure to solve an outstanding dispute over intellectual property rights risked causing "serious damage" to relations with the EC. John Riddington writes from Seoul.

Speaking at the end of a three-day visit to Seoul, he said the two sides had failed to resolve the dispute and that, unless a solution was found, improvement of relations in a various areas, from co-operation in science and technology to foreign policy, would be more difficult.

The dispute, which is the principal irritant in bilateral relations, arises from EC

demands that Korea afford it the same protection of intellectual property as it provides the US.

Korea introduced legislation to protect intellectual property rights in 1987, but retrospective protection for patents and copyrights issued before then extends only to the US. This was achieved through US-Korea negotiations.

One of the main stumbling blocks in the negotiations was the protection of intellectual property rights after 1987. According to an EC official, Korea refused to provide protection after this date for product patents as opposed to process patents.

"European companies are losing money," said Mr Andriessen. "Now it is easy to copy our products in Korea." He added that the dispute was also a point of principle. "We cannot accept being damaged against."

Despite the failure of this round of talks, Mr Andriessen said efforts to resolve the problem would continue. "I am glad to say that the Korean side has agreed to look again at our position," he said. The next round of talks will be held by October.

The EC delegation also called for South Korea to liberalise its financial markets, and for a revision of the system of liquor taxation behind a bilateral dispute over Scotch whisky imports.

The increase, which was fuelled by a continued boom in construction and a revised export forecast, meant that the government's earlier prediction of 7 to 8 per cent GNP growth for the year as a whole is likely to be surpassed. The central bank is now forecasting annual growth of nearer 9 per cent.

Economists welcomed the first quarter performance in that it comprised a healthy pattern of growth than that of last year. Exports rose by 11.3 per cent, to \$15.33bn, compared with imports of \$15.76bn. A Bank of Korea spokesman predicted a continued improvement in exports and forecast an annual current account deficit of \$2.6bn.

Investment in plant and equipment increased by 17.3 per cent (led by industrial machinery and transportation equipment) and growth of private consumption slowed to 4.8 per cent from a double-digit rate last year.

The only thing that has changed is that the two Kims have got older," says Professor Han, meaning Mr Kim Young Sam, executive chairman of the DLP and former opposition leader, and Mr Kim Da Jung, leader of the largest opposition group.

The former premier, Mr Roh Tae Woo, was regarded as a potential new face in politics, but because he was a potential rival to the presidential ambitions of the two Kims, they pressed for his departure.

Factional divisions in the DLP – which was created through the merger of the ruling party, Mr Kim Young Sam's former Reunification Democratic Party and another opposition party at the beginning of last year – have never been resolved.

Thus factionalism is likely to get worse before it gets better. A debate about whether the constitution should be revised in favour of a parliamentary cabinet, as opposed to a presidential system of government, continues below the surface and is sure to re-emerge to exacerbate intra-party feuds.

Dr Park Won Am, an economist at Korea Development Institute, a government-backed think tank, argues that – despite government steps, including restrictions on building permits – it will be difficult to curb growth in this sector.

Overall, the first three months recorded GNP of \$1.66bn won (\$24.5bn) at 1988 constant prices. Gross Domestic Product, which excludes net overseas income, rose by 9.1 per cent to won 31.2bn.

Slow transition amid fragile calm

John Riddington looks at South Korean politics as a new PM takes over



John Riddington

fundamental reform of property taxes and land use is needed to address the roots of the problem.

South Korea's parties and politicians also need change.

"Our parties and politicians are strongly attached to the past," says Mr Kim Hak-Joon, the president's chief adviser for social policy. "This is why political parties and leaders have disappointed many of us. Most of the anniversaries traditionally marked by street protests have passed.

But the death of a woman student, apparently trampled to death as she fled riot police during a demonstration at the weekend, could provoke further protests, and planned rallies by the opposition mean that the quiet of the last few days remains fragile.

Looking beyond street protests, President Roh's administration faces more fundamental political problems.

Most obvious is the unpopularity of his government. The administration may be right in claiming that the students and dissidents have failed to win the support of the middle classes this year, as they did to force democratic elections in

1987 – but nor are the middle classes backing the government.

There are many reasons: near double-digit inflation, rising housing costs, a string of political scandals, increasing crime and new issues such as environmental pollution that have prompted criticism of the administration. The government received less than 20 per

cent of the votes and did not win the middle classes.

But the government is not doing as badly as the scale of the demonstrations would suggest. The president has been implementing many of his democratic pledges. A programme of local autonomy elections is taking shape this year and the press is freer than at any time.

The problem, said one western diplomat in Seoul, is that expectations, after the introduction of democracy, have been unreasonable. "There is now a considerable degree of democracy. This kind of transition cannot be achieved overnight."

That said, there is a series of structural problems which need to be addressed to allow Korea's political transition to proceed smoothly.

For most Koreans, it is economic distribution as much as growth that is of concern. Income gaps have narrowed since the middle of the 1980s but the distribution of wealth is a different story. The rapid appreciation of real estate prices over the last few years has created a widening gulf between the haves and have-nots, creating social tensions.

The government has taken various measures, targeting conglomerates blamed for speculating in real estate and launching an ambitious programme to build 2m new residences by 1992. But a more fun-

nyonality

Thus factionalism is likely to get worse before it gets better.

A debate about whether the constitution should be revised in favour of a parliamentary cabinet, as opposed to a presidential system of government, continues below the surface and is sure to re-emerge to exacerbate intra-party feuds.

For further information contact the Joint Administrative Receiver, Rodger Taylor, KPMG Peat Marwick McLintock, The Fountain Precinct, 1 Balm Green, Sheffield S1 3AF. Tel: 0



Number one across the Atlantic.

More nonstops to the U.S. than any other airline in the world.

Fly Pan Am to the U.S. this summer and you can see the world. We offer connections from New York and Miami to over 125 cities in 51 countries, including 17 Caribbean destinations and 18 in Latin America. Our Latin America nonstops from the U.S. include São Paulo, Rio de Janeiro, Buenos Aires, Caracas and Santiago.

And Pan Am is continuing to grow in Europe, with new flights from Oslo and Zagreb, and flights from Amsterdam, Lisbon, Hamburg and Barcelona starting this summer.

Business travel is better on Pan Am.

Pan Am's Clipper® Class is designed especially for business travelers. Our 2x2x2 seating ensures that you'll get a window or aisle seat every time. And in First Class, you can stretch out and relax in our inviting Sleeperette® Seats.

We'll even provide you with a chauffeur-driven limousine. This complimentary door-to-door service (within 40 miles of the airport) is available with advance reservations on each leg of any roundtrip transatlantic flight to and from Paris, London, Frankfurt, New York, Washington, D.C., Miami, Los Angeles or San Francisco, for full fare Clipper

Class or First Class travelers. And at New York's JFK, you can choose helicopter service to Manhattan instead. Again, complimentary.

Expanded Frequent Traveler Program.

When you fly Pan Am, you can earn miles with Pan Am WorldPass® or United Mileage Plus, and redeem awards on either airline.

So now you can earn free trips to any of the over 280 destinations that Pan Am and United fly, including the Far East, the South Pacific, Latin America, the Bahamas and the Caribbean.

For more information or to make reservations, call your Travel Agent or your local Pan Am office.

PAN AM.
We're flying better than ever.™

INTERNATIONAL NEWS

Baghdad's talks with Kurds may end in conflict

By John Murray Brown at Mawat, northern Iraq

KURDISH leaders were yesterday still in negotiations with the Iraqi regime, in a bid to find an agreed formula which would open the way for regional autonomy for the Kurds in northern Iraq.

Amid signs of intransigence from Baghdad, rebel leaders say they are ready to resume their armed rebellion if talks with President Saddam Hussein's regime fail to produce an agreement.

Speaking over the weekend at his mountain headquarters near Suleymania, Mr Jalal Talabani, leader of the rebel Patriotic Union of Kurdistan, warned that 25,000 Peshmerga guerrillas under his control were willing to resume their struggle for Kurdish rights.

Since agreeing a cease-fire in mid-April, both sides have been in negotiations in a bid to end the fighting, which has

dogged the country for more than 20 years. Rebels are seeking implementation of a 1970 agreement which promised autonomy for the country's 5m Kurds.

Rebel leaders said last week there was broad agreement on power-sharing, cultural and legal rights, and the roles of the army and the police under an autonomous accord. However, talks broke up at the weekend, apparently deadlocked over how to designate the autonomous region, in particular over whether to include the oil centre of Kirkuk, which was the issue at the centre of failed autonomy negotiations in 1987.

"If we can reach agreement about a permanent constitution and democracy, then we can have a kind of compromise about Kirkuk. The problem is they are still dreaming of Arabising these places. Our major problem with the Ba'th Party ruling Iraq was always this chauvinistic policy of Arabisation. This was the main reason for the war in 1974," said Mr Talabani.

In a related development, General Colin Powell, chairman of the US joint military chiefs, is to visit the area this week amid signs that the US may be preparing to quit the security zone set up by the allies for the thousands of Kurdish refugees on the Iranian and Turkish borders.

Rebel leaders are clearly concerned any early withdrawal by the allies could weaken their hand in the talks in Baghdad.

Argentine flight capital plan

By John Barham in Buenos Aires

ARGENTINA has announced plans to encourage the repatriation of \$40bn-\$50bn in flight capital held abroad by Argentine companies and citizens.

Mr Domingo Cavallo, economy minister, has sent a tax reform bill to Congress.

Individuals and companies would pay 1 to 3 per cent tax on capital repatriated over the

next four years. However, capital merely declared, but remaining abroad would be subject to 2 to 4 per cent tax a year.

The origin of the money - usually the product of tax evasion - does not have to be declared, but officials promised to prevent drug money launderers abusing the scheme.

Develop your career with a HENLEY distance learning MBA

A Distance Learning MBA with Henley could be your first step to improving your career status, advancement and achievement.

Providing a uniquely flexible approach to study, the Henley MBA utilises the latest technology to bring the classroom to you, whether you're in Manchester, Munich or Manila.

The objectives of individuals and companies alike are served through assignments and project work to provide rapid and regular transfer of learning to your job.

You can enrol at any time. Call MBA Information on (0491) 571454 or 410239 (answerphone). International Code: 44 491.

The Henley MBA is recognised as the definitive MBA by organisations throughout the world.

MBA Information, Henley The Management College, Greenlands, Henley-on-Thames, Oxfordshire, RG9 3AU, England. Fax (0491) 410184.

HENLEY
Management College

EMERGENCY APPEAL

The Embassy of Costa Rica to the United Kingdom is making a special appeal for contributions to help the victims of the earthquake, that devastated the Southern Caribbean Region of Costa Rica on April 22nd.

The earthquake (7.4 Richter Scale) caused extensive damage, and according to the latest official figures, there are 15,000 people that require shelter and emergency aid, as well as countless dead and injured. The roads and means of communications were demolished in the whole region, as well as other important infrastructure such as hospitals and the water supply system.

Contributions for the victims can be sent directly to the Embassy, making cheques payable to "Disaster Relief-Costa Rica", or a deposit can be made to the following account:

DISASTER RELIEF-COSTA RICA
Account no: 40312193
BARCLAYS BANK PLC
172 Edgware Road
London W2
Sorting Code: 20-65-63

The Embassy of Costa Rica would like to thank you in advance for any help in this difficult situation.



FUTURES
AND
FOREIGN EXCHANGE
24 HOUR COVERAGE

CAL Finance Ltd
Wincanton
50 Victoria Street
London SW1H 0AW
Tel: 071-799 2233
Fax: 071-799 1221

Arab allies to protect Kuwait

By Tony Walker in Cairo

EGYPT and Syria, members of the anti-Iraq Arab alliance, would continue to buttress Gulf security in the post-war era, Kuwait's Defence Minister, Sheikh al-Sabah al-Salim, declared in Cairo after two days of talks with officials.

However, he left unclear whether Egyptian and Syrian troops would stay on the ground in Kuwait and other Gulf states. He had discussed the issue with President Hosni Mubarak of Egypt and "details" would be publicised in the future.

Mr Mubarak had announced this month that all Egypt's 35,000 troops committed to the Gulf war would be withdrawn by mid-year. His abrupt announcement prompted speculation that Egypt was angered by indications that Kuwait would prefer a continued US security presence to an Arab one.

After his talks with Mr Mubarak, and Lt-Gen Mohamed Bassam Tamawi, Egypt's new defence minister, Gen Ali told reporters that the "proximity of Egyptian, Syrian, Gulf and other Arab forces in particular will be the buttress for the presence of military forces in Kuwait."

Arens seeks Mideast arms curb talks

By Hugh Carnegy in Jerusalem

MR MOSHE Arens, Israel's Defence Minister, has called for an international conference of arms suppliers and recipients in order to curtail the flow of weapons to the Middle East, which threatened another war in the region, he said.

"There is nothing more urgent than for such a conference to be called, of suppliers and of buyers, to deal with what is a common problem," he said in a speech.

It was the clearest signal from Israel - which rejects an international conference for the broader Middle East peace process

- that it is willing to participate in a Middle East arms control initiative sought by President George Bush. Mr Arens issued the call a few days before Mr Richard Cheney, US Defence Secretary, was due to visit Israel on a regional tour.

However, Mr Arens made clear that Israel saw the onus of any arms control falling on Arab countries such as Syria and their large conventional forces, not on the sort of non-conventional weapons in which Israel is superior to the region and which the Arab side

wants at the centre of any talks.

Mr Arens also expressed cautious optimism over signals from the Hezbollah fundamentalist militia in Lebanon that it would consider trading Israeli servicemen it holds for Lebanese and Palestinian prisoners held by Israel.

Israel is prepared to negotiate at the issue, provided it has proof that at least some of its seven missing men are alive. Such a deal would almost certainly help unlock the impasse over Western hostages held in Lebanon.

Coalition bid in Surinam

AN ALLIANCE of conservative parties which won Surinam's parliamentary elections at the end of last year is unable to form a government and will begin coalition discussions today with other parties, writes Canute James in Kingston.

Other jobs are to come from government-backed training schemes, including full salary subsidies for trainees taken on for limited periods by large companies.

A two per cent cut in employer's social security contributions, a one per cent cut in employer's tax and two per cent of the previously automatic cost of living increases in wages should boost industrial profitability by 15 per cent, the finance ministry said.

There are indications that the NFD would prefer to form a government with Democratic Alternative '91, a new party which took nine seats.

The National Democratic party, founded by the military, which has virtually controlled the country since it staged a coup in 1980, took at least 13 seats.

UK pledges more food for Africa

By David Busch in Brussels

BRITAIN yesterday pledged an extra 60,000 tonnes of food for Africa, as part of the European Community's planned overall shipment of 500,000 tonnes to the continent this year.

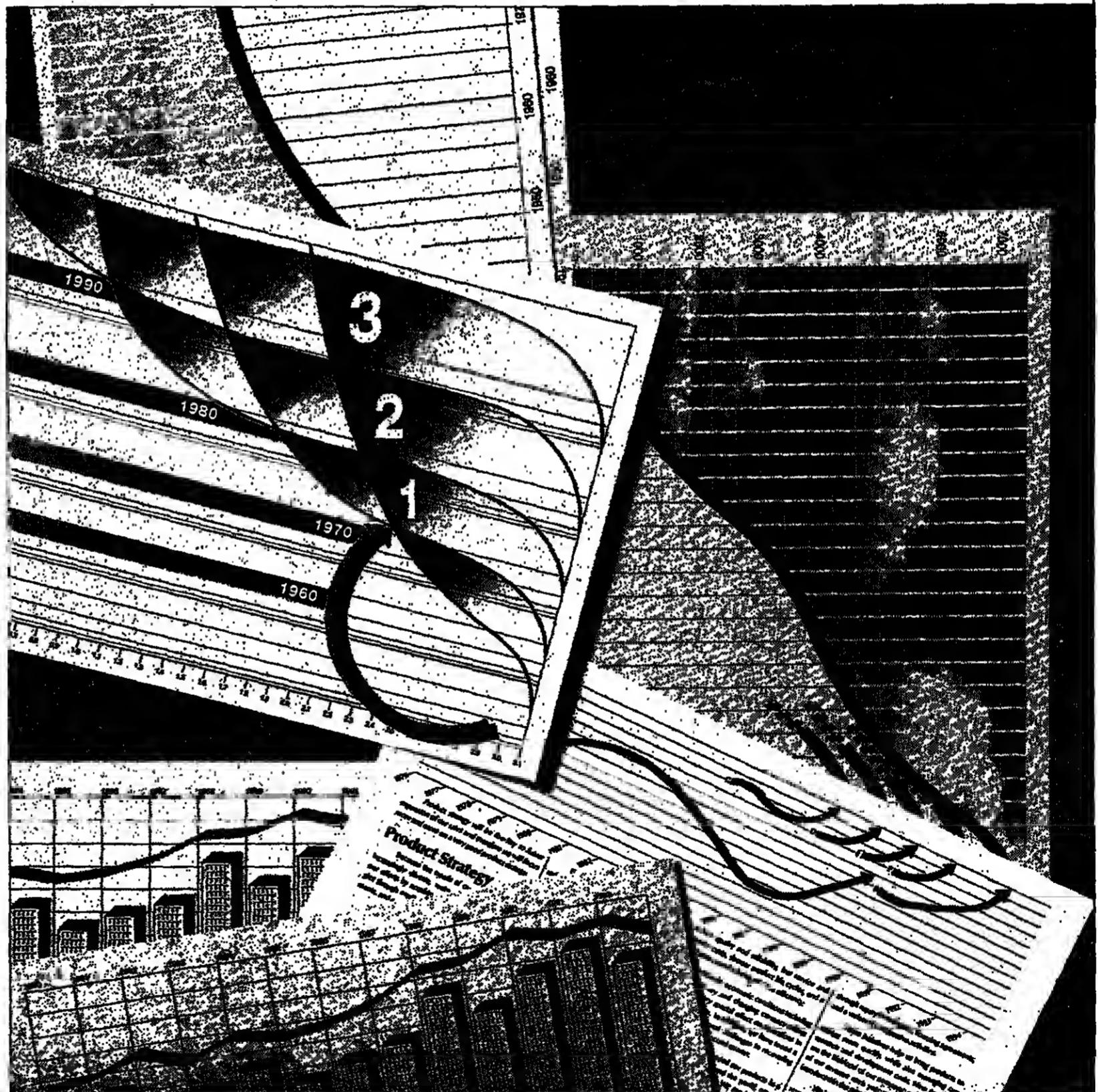
At a meeting here of EC development aid ministers, Mrs Lynda Chalker of the UK said Britain had now committed 180,000 tonnes to Africa this year. Last month, EC governments agreed to give Africa 400,000 tonnes out of the Community budget, and a further 200,000 tonnes in national contributions.

By its latest donation, the UK had contributed twice its share of the total "national" contributions of the Twelve, Mrs Chalker said.

Germany, Italy, the Netherlands, and Denmark were among EC states which yesterday promised to increase their food aid to Africa, particularly to the Horn, but were not specific.

Mr Manuel Marín, EC aid commissioner, stressed the enormous need of Africa, which faced a "food gap" of 1.8m tonnes this year. Better co-ordination of the increased contributions by the Commission, EC governments and the private relief organisations was needed, he emphasised.

The fastest in the family.



It's no myth but a fact. There's a new high performance member in the range of Hewlett-Packard LaserJet printers - the HP LaserJet III Si.

It flies through your work at up to 16 pages per minute. Whilst its two 500 sheet input trays make having to continually reload a thing of the past.

Yet it doesn't sacrifice quality for speed. The HP LaserJet III Si prints with Resolution Enhancement Technology and a new microfine toner to form the sharpest letters ever.

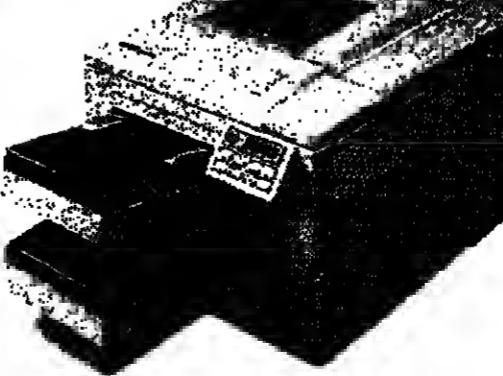
You can choose to have high speed direct connections to your Novell or 3 Com LAN's and double-sided printing. As well as true ADOBE PostScript®

The new HP LaserJet III Si builds on the existing capabilities found in the HP LaserJet III family. Including HP PC15, HP LaserJet III Si.

the industry leading printer language with scaling of fonts to virtually unlimited size and faster graphics. And, as a member of the HP LaserJet family, its reliability is backed by a one year on-site warranty.

To keep one step ahead, ring our Customer Information Service on 0344 368369.

*Adobe and PostScript are registered trademarks of Adobe Systems Inc.



**HEWLETT
PACKARD**

THE POSSIBILITY MADE REALITY.

TOTAL GROUP
TOTAL COMPAGNIE FRANÇAISE DES PÉTROLES

NOTICE OF SHAREHOLDERS' MEETING

Notice is hereby given to shareholders of TOTAL COMPAGNIE FRANÇAISE DES PÉTROLES that they are to convene on Monday 17 June 1991, at the Palais des Congrès (salle bleue) 2, place de la Porte Maillot 75017 PARIS France.

AGENDA FOR AN ORDINARY GENERAL MEETING TO BE HELD AT 10.30 a.m.

- 1° - Report of the Board on operations and accounts for the year ended 31 December 1990; Auditors' report;
- 2° - Approval of the said reports, accounts and balance sheet;
- 3° - Income allocation and determination of dividends;
- 4° - Auditors' report on transactions referred to in Article 101 of the law of 24 July 1986;
- 5° - Authorization to be given to the Board to make purchases and sales of the Company's shares on the stockmarket in order to stabilize the market prices;
- 6° - Setting of a redemption price for class "A" shares until the next Annual General Meeting, pursuant to Article 11 of the Bye-Laws;
- 7° - Authorization to be given to the Board to issue, in any currencies, loan stock and in particular notes representing subordinated perpetual debt up to a nominal amount not exceeding FF20 billion;
- 8° - Ratification of removal of the Company's registered office.

AGENDA FOR AN EXTRAORDINARY GENERAL MEETING, TO BE HELD FOLLOWING THE ORDINARY GENERAL MEETING

In the event that the quorum required is not reached at the poll on the resolutions, a second Extraordinary General Meeting will be held on Wednesday 26 June 1991 at 10 a.m., at the Head Office of the Company, Total 24 cours Michelet 92800 PUTEAUX France.

- 1° - Report of the Board of Directors and special report of the Auditor on resolutions to be proposed at the Meeting which involve a waiver of the shareholders' subscription rights;

- 2° - Approval of two merger proposals under which TOTAL CFP would absorb on the one hand its subsidiary TOTAL CFP (Géranie) and on the other its subsidiary TOTAL CFP (Géranie et Recherche);

Within the framework of these two mergers: approval and appraisal of assets merged, recording and allocation of the capital surpluses, implementation of mergers, powers to comply with formalities;

- 3° - Change of the Company's name;
- 4° - Amendments to the Bye-Laws, designed on the one hand to dispense with the condition of French nationality required of Directors other than Representatives of the French State and of Managers of the Company, and on the other to simplify the wording of Article 44 which deals with the appropriation of profits;

- 5° - Authorization to be given to the Chairman of the Board to make a statement of compliance in furtherance of the various amendments to the Bye-Laws;

- 6° - Authorization to be given to the Board to grant options to subscribe for shares on conditions defined by the Meeting to some employees within the Group as well as to executive staff of the Company or of companies within the Group;

- 7° - Five-year authorization to be given to the Board;
- a) - to increase the capital up to a nominal amount not exceeding FF6 billion, through the issue of new shares with preferential subscription rights, with or without warrants, and/or through the capitalization of existing reserves;

- b) - to issue securities with preferential subscription rights, up to a nominal amount not exceeding FF15 billion, entitling holders to certificates subsequently issued to represent a share of the Company's capital.

The total amount of capital increases that could be made pursuant to paragraphs a) and b) may not exceed a nominal amount of FF8.5 billion;

- 8° - One-year authorization to be given to the Board to issue warrants entitling holders to subscribe shares FF500 million to be set as the nominal calling in share that may be subscribed by the warrant holders, waiver of the preferential subscription right for warrants, but the Board to be empowered to grant shareholders priority of subscription;

- 9° - Examination of the merger proposals for the absorption by TOTAL CFP of CFP - Omnium Financier de Paris, involving as follows:

- Report of the Board on the merger proposal;
- Report of the Public Appraisers on the said proposal;
- Approval of the corresponding merger agreement and, consequently, approval of the assets merged, their valuation, the consideration given and the resulting increase in capital;
- Related amendments to the Bye-Laws;
- Allocation of the capital surpluses;
- Powers to comply with formalities;

All shareholders, irrespective of the number of shares they hold, are entitled to attend the Meetings or have themselves represented thereby by a proxy shareholder entitled to attend the said Meetings or by their spouse, or else to vote by correspondence.

To be entitled to attend or to be represented at the Meetings:

- a) - Holders of registered shares should be recorded in the Company's share register five days before the date fixed for the Meetings;
- b) - Holders of bearer shares should within the same time limit deposit through their authorized agent a certificate evidencing restriction on disposal thereof with Banque PARIBAS, Service des Assemblées, 3, rue d'Antin 75002 PARIS France. The restriction on disposal of these shares must extend until the last meeting in case of Meeting adjournment.

Forms of proxy or vote by correspondence and admission cards will be available from the above institution on request.

In accordance with legal requirements, shareholders are hereby notified that:

- Should they wish to avail themselves of the opportunity to vote by correspondence, they should apply for a form to the Company or the "Service des Assemblées" of the above-mentioned bank by sending a registered letter requesting acknowledgement of receipt;
- In order to be honoured, any request for a form of vote by correspondence should reach the Company's head office or the above-mentioned bank no later than six days prior to the date of the Meetings;

- The duly completed form should reach the Company's head office or the "Service des Assemblées" of the above-mentioned bank no later than three days prior to the date of the Meetings;
- Holders of bearer shares are informed that the form will not become operative unless evidence of restriction on disposal of these shares has been submitted as explained in paragraph b) above;

- No shareholder who has voted by correspondence shall be entitled to attend the Meetings in person or be represented thereby by a proxy;

- Shareholders may obtain the documents specified in articles 133 and 135 of the decree of 23.03.1967 on request to the Company's head office or to Banque PARIBAS, Service des Assemblées 3, rue d'Antin 75002 PARIS France.

THE BOARD OF DIRECTORS

TOUR TOTAL, CEDEX 47, 92089 PARIS, France

TOTAL

UNITED STATES FINANCE & INVESTMENT

The FT proposes to publish an important survey of the United States economy, markets, and investment.

June 20, 1991

If you are promoting your company's presence and services in the United States to the international business community, you will want to advertise in the future. 50% of International Financial Managers and 54% of Chief Financial Officers of the largest companies read the FT.

For advertising information, please call:

Mary Ellen Howek
Financial Times
(New York)
Tel: 212 585 3500
Fax: 212 519 0704

Anne Parfitt
Financial Times (London)
Tel: 0171 823 4167
Fax: 0171 823 3078

David Morris
International Finance Managers in Europe 1990
Chief Executive in Europe 1990

FT SURVEYS

OBITUARY

Eric Heffer: fiery left-winger of principle

MR ERIC HEFFER, the veteran Labour MP and dogged champion of working class socialism, died yesterday after a long battle with cancer.

Elected to Liverpool Walton in 1964 when he won the seat from the Conservatives, Mr Heffer's reputation was both an ardent and consistent MP and a fiery left-winger who kept principles before office. His majority, now over 23,000, served as testimony to the loyalty he commanded.

During the government of Mr (now Lord) Harold Wilson, he refused a junior ministerial appointment as a gesture of disapproval of government policies. In 1974 he became minister of state at the Department of Industry, gaining a reputation for controversy when he opposed the sale of warships to Chile.

He was later sacked when he spoke out against British membership of the European Community in defiance of the Labour leadership. His opposition won him firm support

from the Labour left who repeatedly elected him to the party's national executive committee until 1986.

But it was only during the years of Labour infighting that Mr Heffer became a household name. In 1983 he ran for the party leadership on the resignation of Mr Michael Foot and five years later joined Mr Tony Benn's challenge, running as his deputy.

In spite of solid defeats he continued to argue passionately for a "hard-left" platform.

Mr Heffer's passion and principles were respected on both sides of the house, as was his conviction that politics was an issue of class. A fierce admirer of Ross Luxemburg, he recently confessed a "certain snobbery" to an interviewer. Discussing his disagreements with the often middle class Communist Party, of which he was once a member, he added:

"I used to feel that working class people were superior."

He is survived by his wife Doris.



Eric Heffer: dogged champion of working class socialism

First fall in banking jobs for 10 years

EMPLOYMENT in the large clearing banks fell for the first time in a decade last year as the recession and bad debts forced staff cuts, writes David Lascelles.

The eight leading banks employed 325,900, down from 342,100 the year before, according to the British Bankers Association.

The same banks had 12,547 branches last year, from 12,769 the year before. The biggest fall came at National Westminster, which closed 95 of its nearly 3,000 branches.

The banks had 42.9m current accounts, up from 39.2m the year before. Of these, interest-bearing current accounts rose to 14.9m from 14.2m.

High turnover in company executives

THE AVERAGE executive changes his or her job every three and a half years and will have worked for six companies by the time of retirement at 55, according to a report published yesterday.

A typical business career lasts 25 years, with executives usually leaving university to find a first job at 23 and making a final job move at 45, suggests Worldtech Ventures, the redundancy management specialists.

Mr Clive Bessels, Worldtech's director, said employees no longer expected to work for the same company for most of their life.

Co-operatives hang on to retail market

CO-OPERATIVE societies retained their 4.4 per cent share of the national retail market last year, the Co-operative movement's annual congress was told yesterday in Liverpool.

In the year to January their combined turnover rose 9.1 per cent to £25.5bn and trading surplus grew 22 per cent to £151m. Thirty of the 50 largest societies improved trading profitability over the year.

Cardiff-Paris air service planned

MANX AIRLINES is planning to launch a twice-daily service between Cardiff and Paris in the autumn.

The airline, which started separate services between Cardiff and Brussels and Dusseldorf in April, hopes to get final approval for its French flights at the International Air Transport Association's route-forming talks next month.

Manx was awarded an evening take-off and landing slot at Paris's Charles de Gaulle airport some time ago. Mr Terry Liddiard, managing director, said Manx wanted to be able to undertake two flights a day in each direction and so would not start until it was awarded a morning slot as well.

Labour might increase bank rates, study finds

By Ivo Darnay, Political Correspondent

A LABOUR government would raise interest rates rather than seek a devaluation in the European exchange rate mechanism, an analysis by Nomura, the leading Japanese securities house, has concluded.

Furthermore, Labour's need to establish its credibility as financially prudent in the immediate aftermath of an election victory make Tory claims of a "hidden agenda" of spending plans "absurd", the report says.

In reality, the Nomura Research Institute found, the party would be likely to defend the pound's ERM parity and this would lead, in the short term, to downward pressure on growth and rising unemployment which might force the UK to abandon some of its longer-term programmes or to turn to higher borrowing and taxation.

Nomura says the arguments against a devaluation both on credibility and inflation-related grounds are compelling. Nonetheless, to assuage fears Labour would instead have to raise interest rates to convince the markets of its commitment to maintaining ERM parity.

The report says: "Our view

is that the new Labour government would recognise these dangers and act swiftly to demonstrate its resolve. An immediate rise in interest rates of 2 per cent might have the required effect."

Although Nomura rejects Tory claims that Labour would plan a spending explosion it warns that Labour's commitment to better public sector pay with its knock-on effects in the private sector together with a loss of privatisation proceeds could lead to a public sector borrowing requirement for 1992-94 of £28bn.

The report gambles on an election coming this year, probably in the autumn, in the light of a worsening economic outlook for the beginning of 1992. It also suggests there is a "distinct possibility" that no party will achieve an overall majority.

Rifkind plans to ease road traffic

By Ivo Darnay

MR MALCOLM Rifkind, transport secretary, will today announce measures to reduce road traffic congestion and shift freight back to rail.

The moves include incentives for road freight hauliers to use rail track in competition with British Rail and the widespread introduction of "red routes" for buses in inner cities.

A luminous view of La Rochelle painted by Paul Signac in 1927, which Loudmer would have estimated at FF12m two years ago, sold for a quarter of that. Three Picasso ink drawings failed to find buyers and a cubist sketch went for FF25,000, a quarter of his high estimate.

Mr Rifkind, who will present his plans at an FT Transport in Europe conference in London, has been widely predicted to be planning a study into road pricing whereby motorists in congested areas would be charged for vehicle use.

Nicholas Powell

The measures are intended to counter years of opponents' claims that Conservative transport policy has always favoured road transport over the railways. It will also give environmental reasons for reducing car use in favour of public transport. Incentives to encourage the use of buses are expected to feature heavily.

Labour last week won several plaudits for its commitment to take action on London's deteriorating transport system as part of its policy to revive the capital.

Mr Rifkind's speech follows his initiative last week to champion the public's interests

in air travel. He told the Aviation Club that where consumers' interests differed from those of airports or airlines, he would back the traveller.

The transport policy's objectives mesh with the prime minister's determination to put citizens' and consumers' rights at the centre of the party's election campaign.

It emerged last week, however, that transport ministry proposals for the "Citizens' Charter" white paper, due to be published in July, were among many departmental suggestions returned to their ministers' for a radical reappraisal.

Mr Rifkind's speech follows his commitment to take action on London's deteriorating transport system as part of its policy to revive the capital.

It is an esoteric argument that has drawn momentous from Mr Rifkind's attempts to bring Unionist and nationalist leaders together at the negotiating table for the first time in 15 years.

It would be dangerous to hall an agreement allowing round-table talks to proceed as a breakthrough. The problems of centuries of sectarian conflict have yet to be addressed.

Whether the SDLP accepts Mr Rifkind's plans, and indeed whether it even turns up at Stormont today, depends on whether the party believes Unionists are committed to peace beyond the terms of the Belfast Agreement.

Before, the wrangling was mainly embarrassing, with the spirit of goodwill with which the participants had entered the talks. Then Mr Rifkind decided to take a grip of the situation and after a snap

of wasted days he issued an ultimatum. Either everyone accepted his proposals for ending the deadlock or he would consider ending the whole process.

Mr Rifkind's trump card was discarded when Mr John Major agreed to the Unionists' request to see him, thereby bypassing the ultimatum.

There was evident frustration about Unionist tactics among some at the Northern Ireland Office.

A week of damaging confusion followed. Unionists and the Northern Ireland Office clashed over the interpretation of the Downing Street meeting.

The SDLP was angry at the apparently favourable treatment given to the Unionists.

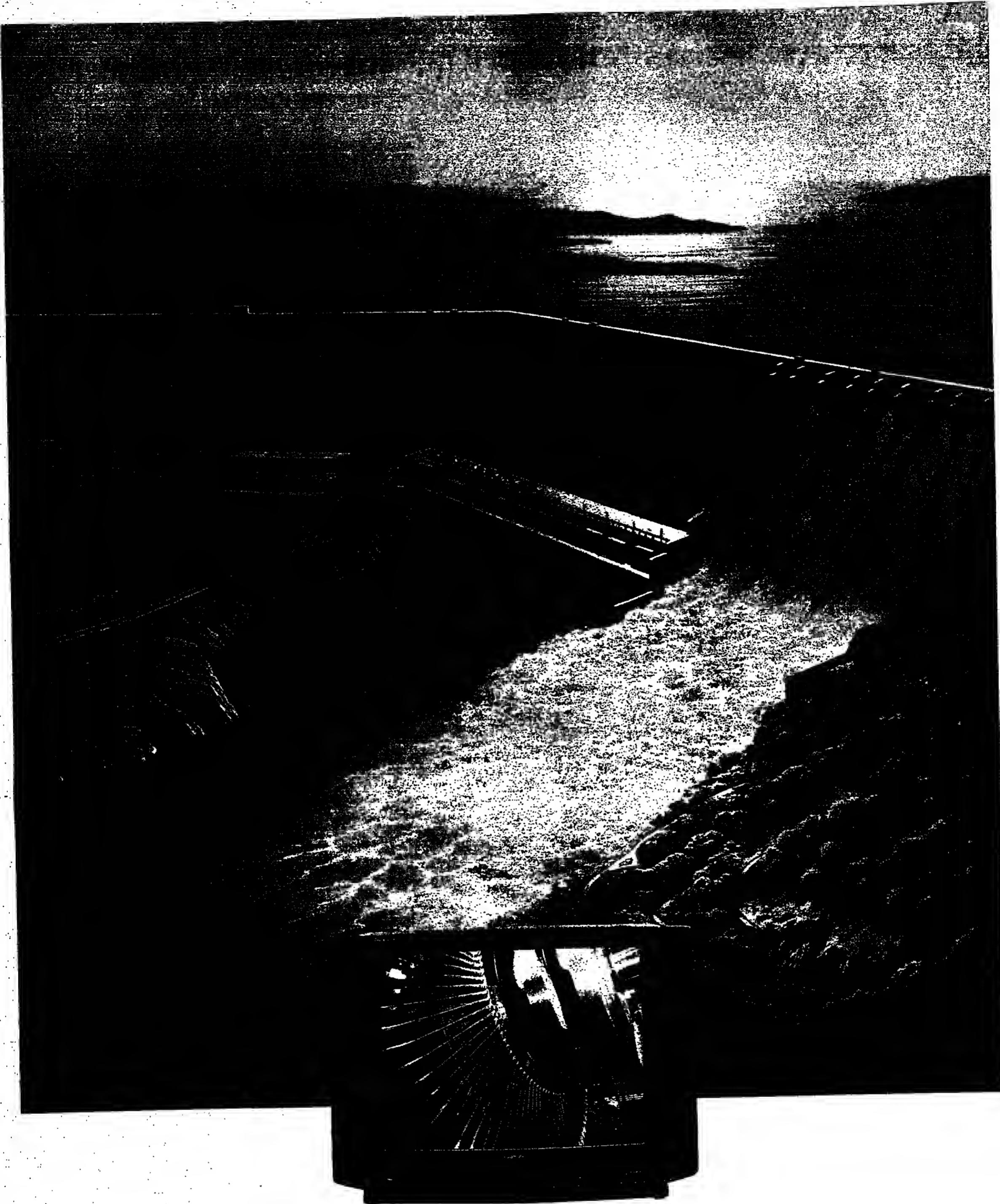
Before, the wrangling was mainly embarrassing, with the spirit of goodwill with which the participants had entered the talks.

Then Mr Rifkind decided to take a grip of the situation and after a snap

of wasted days he issued an ultimatum. Either everyone accepted his proposals for ending the deadlock or he would consider ending the whole process.

Mr Rifkind's trump card was discarded when Mr John Major agreed to the Unionists' request to see him, thereby bypassing the ultimatum

First in
in banks
10 Year



NOT ONLY DO WE BRING THE IMAGE TO LIFE, WE BRING LIFE TO THE IMAGE.

As world leaders in LSI technology and inventors of FST, Toshiba are able to produce television pictures so true to life, you would think you were there.

And with improved NICAM digital stereo the sound is as crisp, clear and lifelike as the pictures.

But then, that's what you have come

to expect from Toshiba. Something you might not realise, is that since 1900 we have been one of the world's foremost producers of turbines.

Today our turbines contribute to power generation in more than twenty countries around the world, offering truly efficient, reliable energy for us all.

In Touch with Tomorrow
TOSHIBA

FOR FURTHER INFORMATION: TOSHIBA (U.K.) LTD., TOSHIBA HOUSE, PRIMLEY ROAD, PRIMLEY, CAMBERLEY, SURREY GU16 5JJ. TELEPHONE: 0876 62222.

UK NEWS

Small businesses complain at bank interest charges

By David Barchard, Ian Hamilton Fazey and Alan Pike

CONCERN is mounting that financial pressures on smaller businesses in Britain are being aggravated by banks failing to pass on interest rate cuts.

Accountants and business advisers say a pattern of lending behaviour is emerging towards companies turning over less than £2m a year - the bulk of the 2.4bn businesses in Britain. Banks are using interest rate cuts to improve their own margins, making many smaller corporate customers pay the same or more for loans.

Lloyds Bank is switching its small business customers out of annual interest rates to arrangements comprising a premium between 1.75 per cent and 4 per cent over base rate (currently 14 per cent). Its new "managed" rates will be charged monthly, as with a credit card, and fixed so that falls in base rate will not be passed on to customers.

Officials of the Confederation of British Industry, the employers' organisation, have received complaints from managers of smaller companies who believe they are the victims of unfair treatment by the banks. Representatives of the CBI's smaller companies council plan to meet bankers and discuss the problem.

One northern company which reported a fall in profits

compared with last year recently found its premium over base rate increased from 1% per cent to 3% per cent - wiping out the effect of most of the last two half-point interest rate cuts because it performed well.

Representatives of small businesses say high-performing companies can still obtain competitive terms from their banks, with the heavy charges falling on those which are doing less well. But changing bankers is more difficult than two or three years ago when the banks were fighting for volume.

The banks admit that they are trying to restore eroded margins. A spokesman for Royal Bank of Scotland said yesterday: "Over the last few years there has been a lot more competition for business customers and so our margins were badly eroded."

"Banks are now trying to recover lost ground which has been eroded by competition from overseas. Bank managers have a fair amount of discretion when setting the rate for business loans."

A spokesman for Barclays, one of the UK's four main clearing banks, said bank managers considered small business customers a risk when making loans.

Carroll Aircraft Corporation, part of the Carroll construction

Defence plans threaten Farnborough air show

By Paul Bettis, Aerospace Correspondent

THE FUTURE of the Farnborough air show, one of Europe's largest market-places for commercial and military aircraft, is under threat amid plans by Britain's Ministry of Defence (MoD) to end its research and experimental flying programmes at the site, west of London.

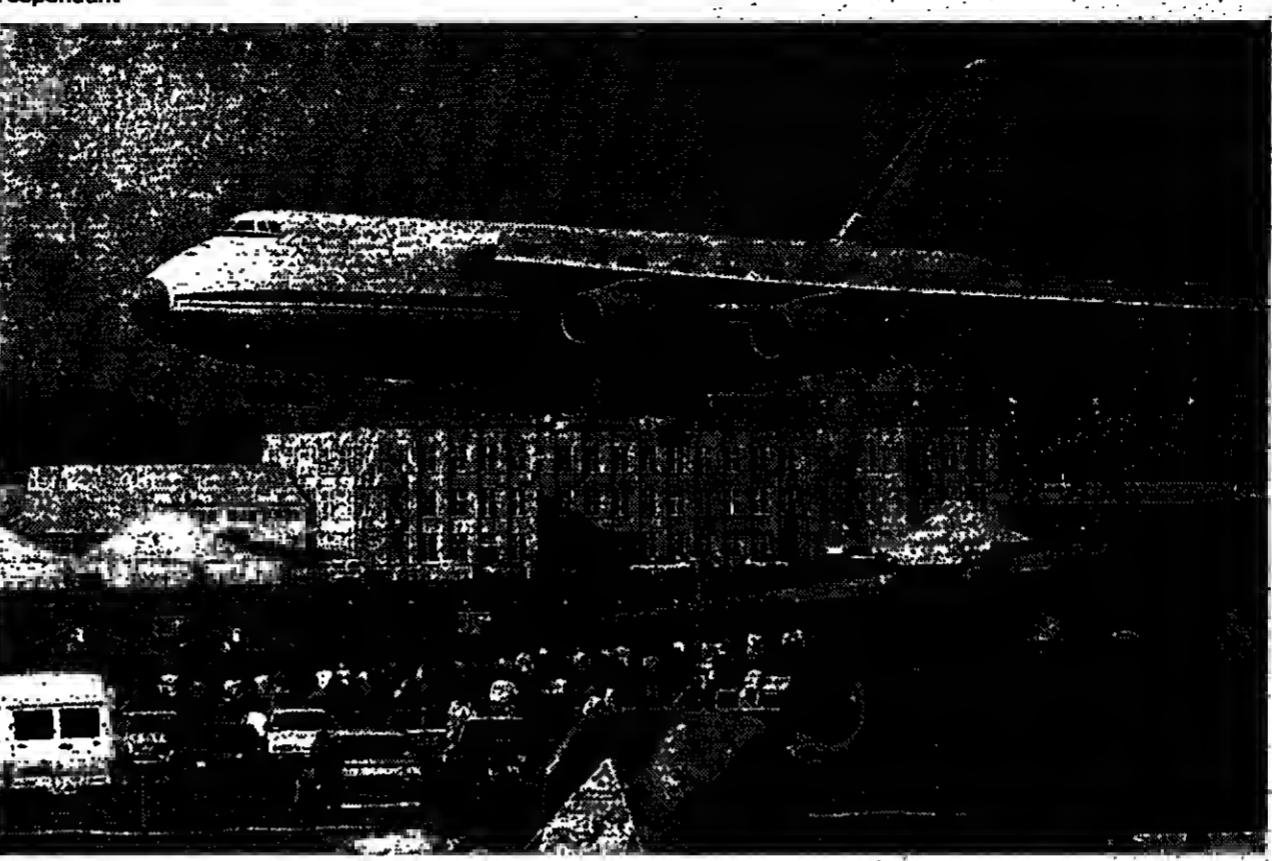
The move also threatens the \$16m development of the business aviation centre at Farnborough, where the annual show is held, and could also have important implications for British Aerospace (BAe), the aviation and defence equipment manufacturer, which is developing new headquarters next to the airfield.

Mr Kenneth Carlisle, the junior defence procurement minister, confirmed this month that all the MoD's research and experimental flying programmes will be concentrated at Boscombe Down in Wiltshire. This meant that the two other MoD airfields at Bedford, north of London, and Farnborough would become "available for disposal".

The MoD, however, will keep the Farnborough airfield open until the end of the century to honour existing commitments to the Society of British Aerospace Companies (SBAC), which organises the air show, and to the Carroll Aircraft Corporation, which runs the new Farnborough business aviation centre.

The SBAC will host the air show up to the year 2000 at Farnborough. But the future after that is uncertain.

Carroll Aircraft Corporation, part of the Carroll construction



Air show under threat: an Antonov AN-24 lands at Farnborough airfield, which faces an uncertain future.

group, has now postponed further development of its proposed terminal and office complex for its business aviation centre.

Its ambition was to develop the centre into a specialised business aviation field to serve the south west region of London.

to the main international airport of Charles de Gaulle has become a busy business aviation centre and also hosts the Paris Air Show, Farnborough's big rival.

Ultimately, the future of the

Farnborough airfield is likely to rest with BAe. The company is widely seen as a possible interested party to take over eventually the airfield to complement its new headquarters complex.

CBI chief criticised over public sector pay

By John Gapper,
Labour Editor

CONTROVERSY over pay settlements was re-kindled yesterday when Mr John Banham, director general of the Confederation of British Industry, was accused of perpetuating a myth about the level of pay in the public sector.

Mr Banham has criticised the public sector for not responding to the pressures of recession and Britain's entry to the European Monetary System's exchange rate mechanism by moderating pay deals.

His attacks on what he has called "mindless indexation" in the public sector compared to private sector moderation were criticised by the incomes Data Services (IDS) research group for being based on a myth.

IDS said most public sector settlements negotiated this year had been close to 5 per cent and the highest settlements had covered the public sector employees whose earnings are linked to the private sector, or to average earnings increases.

It said average earnings for full-time employees in April 1990 stood at £236.40 a week in the public sector compared to £236.80 in the private sector. The annual increase in earnings was 5.3 per cent for public sector workers and 5.1 per cent for private sector.

IDS said: "Just as pay in the public sector is no higher than in the private sector, the myth that public sector pay settlements generally run ahead of private sector settlements does not bear examination."

A separate analysis of teachers' pay between 1978 and 1989 found male and female teachers' earnings multiplied 8.2 and 8.9 times respectively, while private sector non-manual men and women's earnings multiplied 8.9 and 11.1 times.

The average earnings of police multiplied 10.4 times in the same period, while the earnings of male and female nurses multiplied 9.8 and 11.7 times respectively.

IDS' Report No 93: Incomes Data Services, 198 St John Street, London EC1V 4LS. By subscription.

Value of training credits expected to vary widely

TRAINING and Enterprise Councils are varying considerably the value of the new training credits which are to be offered to all 16-17 year-olds leaving full time education from 1993, writes Lisa Wood.

At present credits are only available to about 10 per cent of school leavers in 10 Tecs in England and Wales and 11 Local Enterprise Councils in Scotland. The government announced last week its intention to extend the scheme.

Devon and Cornwall Tec believes its five bands of val-

ues for its training credits are probably the widest, ranging from £1,000 to up to £5,000.

The lowest value credit is for a training course aimed at the attainment of a National Vocational Qualification (NVQ) at Level One - the most basic - in clerical work up to £2,500 for an NVQ Level Three in occupations including electrical engineering.

The government, which believes the credits will increase the motivation of young people to train, said the average will be about £1,500.

Telecoms group to introduce innovative pay scheme

By Michael Smith, Labour Correspondent

GPT, the telecommunications group, is planning to introduce an innovative pay scheme for manual workers at its plant in Coventry, central England, through which earnings would be linked to the performance of the unit in which they work.

The system is considerably more sophisticated than standard bonus schemes in Britain, which tend to measure only output and, in most cases, are applied throughout a workforce.

Payments at GPT Coventry would depend on factors including efficiency, first times

pass rates, overheads and maintenance.

The payments could vary considerably from one unit to another and from one month to another.

The scheme has been put forward as part of this year's pay offer to about 1,250 manual workers.

Under such a scheme basic pay would rise by 3 per cent, with the performance-related "factory bonus scheme" yielding 4 per cent for budgeted performance.

Workers, however, in units which perform badly could

receive nothing above the basic 3 per cent rise, while the maximum payment would be 11 per cent.

In addition the company plans to introduce an assessment scheme for most of the plant's 3,800 white collar workers under which pay would rise between 11 and 11 per cent, with an average increase of 6 per cent.

GPT, owned by GEC and Siemens, refused to comment in detail on its plans, which are still being discussed with unions.

In a recent letter to employ-

ees, however, GPT said that to preserve orders and jobs "we must not add increases such as pay rises to our selling prices."

The only way to finance pay increases was to improve overall business performance.

Participants in the factory bonus scheme, which the plant wants the majority of its 1,250 manual workers to join, would see the performance results of their unit monthly and payments would reflect this.

Employees working in areas not covered by the bonus scheme, which includes most of the company's 3,800 white

collar staff, would be assessed annually on their individual performance.

Mr Ray Lissaman, Coventry district officer for the AEU engineering union, said the union would meet the company next month to hear how it planned to operate the scheme.

He predicted that there could be problems if the company wanted to remove existing bonus schemes.

Unions would also want to ensure that criteria for any scheme were introduced by agreement.

Northern Telecom helps shift billions of dollars a day.

©1990 Northern Telecom



Who do bankers bank on?

For the Brussels-based Society for Worldwide Interbank Financial Telecommunications (SWIFT), the answer is simple.

Northern Telecom.

SWIFT provides transmission services among major banks round the world. They chose us to provide them with the most reliable data network available. We are, after all, not just Europe's but also the world's largest supplier of data packet networks.

When completed, this telecommunications solution will connect some 3,000 bank locations in over seventy countries.

So much for the big money.

Now what about the peanuts?

For Cargill, one of the leading agricultural and commodity companies, the problem was entirely different. They needed an internal phone system that ensured fast and reliable communications between their commodity traders across the world.

They chose Northern Telecom because no one sells more advanced business communications systems than we do.

Just two of the ways in which Northern Telecom advanced telecommunications products are helping both big and small businesses in more than one hundred countries worldwide.

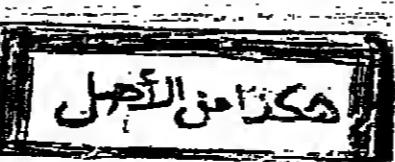
Can we help you?

But we also help if it's peanuts.

nt northern telecom

TECHNOLOGY THE WORLD CALLS ON.

NORTHERN TELECOM IS ACTIVE IN 24 COUNTRIES THROUGHOUT EUROPE. FOR MORE INFORMATION CONTACT NORTHERN TELECOM EUROPE, 44 (0) 755 213800.



REBUILDING KUWAIT



This important FT project was postponed following the tragic death of two journalists working on it.

A new editorial team has been formed and the survey will now be published in the Financial Times on

25 June 1991

It will describe one of the most complex reconstruction projects since the end of World War II.

It will also provide a valuable sector by sector analysis of reconstruction needs, as well as specific contract opportunities.

Copies of this survey will be distributed to the Kuwait Investment Office, the Central Bank and the Kuwaiti Ministry concerned with the re-construction project.

If you want to reach this vital audience along with decision-makers worldwide, call Tony Blin-Stoyle on (071) 873 4920 or Jessica Perry on (071) 873 4611 or fax them on (071) 873 3062

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Nedlloyd
can give you
a logistic
headstart.

In transport, storage and distribution there is an increasing emphasis on logistic services. Nedlloyd can give you a logistic headstart in these areas. Our service focuses on managing the physical flow of goods on land, sea and air plus the related flow of information.

The Nedlloyd Flowmasters® concept was especially developed for this purpose. Thanks to the experience and expertise of our 25,000 employees all over the world, our networks in container logistics, road transport, warehousing and distribution connect seamlessly.

We also provide logistic services for specialty goods, such as garments and chemicals. However, we are not limited to the transport of goods alone. We provide stock management, picking/packing, invoicing and other value added services.

Interested in how Nedlloyd can give your business a logistic headstart? Just ask for our comprehensive brochure.

* Registered

Royal Nedlloyd Group N.V., Central Public Relations, Bompjes 40, 3011 XB ROTTERDAM. Telephone: (010) 4007111. Fax: (010) 4046460.

Some do transport, we do more.  **Nedlloyd**

APPOINTMENTS

Main board posts at Wimpey

■ **GEORGE WIMPEY** has appointed the following to the main board (they remain on the executive board and retain their current posts): Mr Dennis Brant, chairman and chief executive of Wimpey Construction; Mr Roger Grey, group chief solicitor; Mr David Penton, chairman of Wimpey Group Services and group company secretary; and Mr Tim Ross, chairman and chief executive of Wimpey Minerals.

Dr Roger Brown has joined Wimpey Environmental as chief air quality scientist. He was with Becham.

■ Mr Michael Smith has been appointed project director for Crossrail, a £1.5bn scheme to provide a rail link across London from the eastern and western home counties. He was project manager for the Cemmentation Cleveland consortium which was responsible for the privately-financed Dartford Crossing, and before that supervised the design and construction of stations, viaducts and tunnels for the Hong Kong Mass Transit Railway.

■ **INNTERPRENEUR**, Thame, which markets leases on Courage and Grandmet pubs, has appointed Mr Tim Sykes as commercial director. He is replaced as London regional director by Mr David Myers who joins from Grandmet Estates acquisitions division. Mr Nigel Moss becomes south east regional director. He joins from Courage where he was tenanted director, property. Mr Kevin Wheeler has been promoted to south west regional director. Mr Ian Frost moves from midlands to northern regional director.

■ Mr Graham Oliver has been appointed chairman and chief executive of VIKING SECURITY SYSTEMS, Eustree. Mr H. Matthew Pollard joins the board as non-executive marketing director, and Mr Alan Thomas has been promoted from engineering to technical director.

■ Mr Stuart Rodger (pictured) has been made appointed actuary and a director of NMB LIFE ASSURANCE. He has been transferred from the National Mutual Life Association of Australasia where he was manager, corporate superannuation services in New South Wales.

■ ENGLISH GLASS GROUP has appointed Mr Tom Lawson as group chairman, and Mr Ryszek Piasiecki moves from deputy managing director to chief executive. The English

division, producing dispensing and packaging systems, is headed by Mr Paul Taylor as managing director. Both Mr Taylor and Mr John Carpenter, managing director, glass component manufacturing facility, join the group board.

■ Mr Derek Perrey has been appointed chairman of HIGH-POINT RENDEL PROJECTS, a new company in the high-point group. Mr Ian Reeves becomes chief executive; Mr Terry Mulvey managing director; Mr George Mitchell managing director, project management division; Mr David Hookway director; Mr Leslie Dixon director and company secretary; and Mr Philip Harris and Mr Richard Perkins assistant director.

■ **BABCOCK INTERNATIONAL GROUP** has appointed Mr Gordon Law and Mr John Prosser to the board of subsidiary Babcock Energy. Mr Law is responsible for the Scottish manufacturing division, and Mr Prosser for the power engineering division, Crawley.

■ **RENAULT TRUCKS**, Dunstable, has appointed Mr Mike Darby (pictured) as general manager, sales. He was deputy managing director at a Scania distributor in Bristol. Mr Darby will be in charge of the demonstration fleet.

■ **FIDELITY INVESTMENTS** has appointed Mr Tony Chalmers as managing director of administration and systems. He was director, card and electronic products, Midland Group.

■ Mr Donald P. Brennan has been appointed to the board of WATERFORD WEDGWOOD, and Mr Charles W. Tate has resigned. Mr Brennan is a managing director of Morgan Stanley & Co, and head of the investment banking division. Mr Tate is also a managing director of Morgan Stanley.

■ Mr Paul Mandica, chairman and chief executive of Touche, Reinstat, will become chairman of the ASSOCIATION OF INVESTMENT TRUST COMPANIES in November.

■ Mr Michael Crabb has been appointed head of media group at CANADIAN IMPERIAL BANK OF COMMERCE, London. He was director, acquisition finance group. The media group strengthens and provides finance for the communications, entertainment and publishing industries in Europe.

■ Mr Peter Booth has been appointed sales and marketing director of MORPHY RICHARDS CONSUMER ELECTRONICS. He was sales and marketing director of Gemstar.

■ **MERCIA SOFTWARE**, Birmingham, has promoted Mr Mark Sutcliffe to sales director.

■ Mr Roy Turner has been appointed corporate banking director at MIDLAND MONTAGU corporate banking.

Ahlan Wasahlan Resolutely.



A commitment to service that never waivers in the face of adversity. World events have given us our "ups" and "downs" but have never stopped us. We make it a point to keep our flights going, no matter how difficult the circumstances. When we invite you to "Fly Saudia", it's not a mere empty gesture. It's a promise that we keep.

saudia
SAUDI ARABIAN AIRLINES
Ahlan Wasahlan

Even a local business has any number of opportunities for make-or-break decisions. But risks multiply when there are international activities. To many companies, one event is making crossborder planning unavoidable: the emerging European Single Market.

For us, 1992 has already arrived. To assist those managers who look to the European Single Market as promising new opportunities but also posing new insurance problems, we've come up with a distinctive European solution:

the Zurich Europolicy. Its advantages for you?

Your cross-border risks are covered in one package. As a multilocal insurer, we are familiar with conditions in all the different countries.

Local specialists assess your company's European risks on the spot. An internationally coordinated analysis informs you how to reduce your risks and insure against them.

Or do your plans go beyond the EC? True to its multilocal

concept, the Zurich facilities are firmly established in more than 80 countries. We are one of the world's leading insurance groups. Our AAA rating attests to our financial muscle. There is virtually no type of industry in which we are not involved. We provide comprehensive insurance packages instead of incoherent covers. Protecting major international risks is part of our every-day business.

Don't forget: "multilocal" means local too. Even if your interests are

"Resources will be concentrated on businesses with strong, global positions now or in the future."

A business leader

closer to home, there is every reason to seek a financially sound partner with first-hand knowledge of international developments. Whatever your plans, talk to us. Our business is worldwide security. Call your local Zurich office for more information.



**ZURICH
INTERNATIONAL**
GLOBAL SECURITY

MANAGEMENT: The Growing Business

In brief...

The growing range of grants and loans available to business from the European Community is explained in 'Finance from Europe,' a guide produced for the London office of the European Commission.

The 32-page booklet provides details of regional aid, special programmes for small and medium-sized businesses, for research and development and for training. It lists contact addresses and includes an index.

**Available from branches of National Westminster Bank Free.*

Twenty three seed capital funds have been established throughout Europe following the launch last year by the European Commission of the European Seed Capital Fund Network.

The funds have raised a total of Ecu36m (£25m) and invested Ecu1.5m in 46 businesses. This is a faster rate of investment than was envisaged by the commission's enterprise directorate.

Newly appointed company directors frequently take no advice about the obligations and risks of their position. Many assume that because their company has limited liability or that because the directorship is non-executive there is no personal risk.

But recent legal changes imposing stricter obligations could expose directors to fines or even imprisonment.

Guidance on ways to minimise the potential risk and a consultation with a solicitor experienced in company law form part of a legal check-up package costing £250 (plus VAT) which has been designed for directors of private and smaller public companies by solicitors Collyer Bristow.*

**Collyer Bristow, 4 Bedford Row, London WC1R 4DF. Tel 071 242 7363.*

The fourth edition of The Enterprise Directory, a guide to training and advisory services for small businesses in Scotland, has been produced by the Scottish Enterprise Foundation.*

The listings include colleges of further education, universities, chambers of commerce, enterprise trusts and district councils.

**University of Stirling, Stirling, Scotland FK9 4LA. Tel 0786 73171. 202 pages. £17.50.*

Big Brother looms into view

Very small companies are coming under increasing pressure to conform to British Standard 5750, Charles Batchelor reports

The drive to improve quality in British industry is putting the squeeze on the smallest of small businesses. Many are too small to be able to afford the time and money required to qualify for British Standard 5750, the most widely accepted mark of quality control.

Large companies are starting to insist that all of their suppliers conform to BS5750 even if they have in the past had no complaints about the quality of their products or service, small firms complain.

Growing concern among small firms has prompted the National Federation of Self Employed and Small Businesses to poll its 50,000 members on their experiences of BS5750.

It hopes to win backing for a campaign to introduce a modified version of the standard which would be better suited to very small businesses.

A total of 12,000 UK companies have qualified for BS5750 in recent years, 9,500 through BSI, formerly the British Standards Institution, and the remainder through other UK certification organisations.

BS5750 is a system for ensuring that every aspect of a company's business, from the way the switchboard operator answers the phone to the control of raw materials as they pass through the factory, is up to scratch. Introducing BS5750 can take many months of work and require companies to overhaul every aspect of their administration.

Guidance on ways to minimise the potential risk and a consultation with a solicitor experienced in company law form part of a legal check-up package costing £250 (plus VAT) which has been designed for directors of private and smaller public companies by solicitors Collyer Bristow.*

**Collyer Bristow, 4 Bedford Row, London WC1R 4DF. Tel 071 242 7363.*

The fourth edition of The Enterprise Directory, a guide to training and advisory services for small businesses in Scotland, has been produced by the Scottish Enterprise Foundation.*

The listings include colleges of further education, universities, chambers of commerce, enterprise trusts and district councils.

**University of Stirling, Stirling, Scotland FK9 4LA. Tel 0786 73171. 202 pages. £17.50.*

Businessmen and women do not expect to be on friendly terms with their tax inspector or the VATman. But the recession, the tougher approach adopted by the Inland Revenue and Customs & Excise and the government's refusal to take decisive action on the late payment of debts have combined to create a strong sense of grievance about tax collection methods.

In the last budget the penalty for serious misdeclaration on VAT payments was reduced pending a review and businessmen may for the first time claim costs in tax appeals, but this has done little to temper the anger of the small business community. The submissions which businesses and trade associations will be making shortly to Customs & Excise promise to be strongly-worded.

Concern over the aggressive approach which has been

increasingly adopted in recent

years has united a broad range of business organisations in their opposition to the present

climate of tax collection. The Association of Independent Businesses, the London Chamber of Commerce and the National Federation of Self Employed and Small Businesses have all highlighted the severity of penalties now available to the taxman.

Despite the issuing in 1986 by the revenue and customs of a taxpayers' charter guaranteeing fairness, courtesy and consideration, the taxman and the VATman frequently appear to be acting with excessive zeal, business groups claim.

It is not unknown for tax collectors to turn up at a company's premises to collect a cheque a day or so before the due date says David Gowing of Anson Gowing, a Bracknell, Berkshire-based firm of accountants.

Concern over the aggressive approach which has been

increasingly adopted in recent

years has united a broad range of business organisations in their opposition to the present

recession," he adds.

Anson Gowing itself received a letter threatening recovery proceedings five days after the due date for paying PAYE. The company had already posted the cheque and had no history of persistent late payments, says Gowing. A lack of communication between the two different tax departments which assess and collect taxes often leads to problems, says Lance Blackstone of Blackstone Franks, a London accountancy firm.

The tougher tax climate has resulted from recommendations made by the Keith Committee in the early 1980s for a tightening up of the enforcement powers of the tax departments. Among the changes made was the introduction of a range of penalty and interest charges for offences such as the late registration of a business for VAT and failure to

make a VAT return or to pay tax on time. Most controversial was the serious misdeclaration penalty for businesses which made an error of 30 per cent or more in their VAT returns.

Customs says the penalty for serious misdeclaration can be avoided if the businessman can provide a reasonable excuse for the mistake but the business organisations say simple errors can be costly. The penalty rate was originally set at 30 per cent but has been reduced to 20 per cent pending review.

Not only has the tougher tax regime come into effect during a recession; the businessman can no longer rely on getting help from his local tax office. As the tax rules have become more complex so the quality of advice available from tax offices has declined, says Nigel Horner of Chartered Investigations Group, a Peterborough-based tax consultancy.

Unlike large companies which can expect frequent visits from the taxman small companies may go years between visits. This means that errors may not be picked up for a long time so that penalties and interest payments may mount up to quite considerable sums, says Horner. In addition, since small companies are often dealing with smaller amounts of VAT the chance of any mistake exceeding the 30 per cent trigger point is greater.

So complex has the tax system become that it is unrealistic to expect a small businessman to make innocent mistakes in filling in his tax and VAT forms, businessmen and accountants argue. One businessman reports attending a meeting with customs where an official apologised for making a mistake over some figures. The businessman took great pleasure in pointing out

that in the eyes of the customs themselves that would not have been a mistake but a serious misdeclaration.

What particularly irks the small business community is the fact that the government is able to insist on being paid on the nail but shows little interest in helping businesses obtain prompt payment of commercial debts. Ministers have several times in recent years blocked attempts to strengthen the legal framework for ensuring timely payment.

The legal system for collecting your debts is a nonsense," says David Gowing. "If anyone owes you money it is a waste of time trying to get them to pay. At the same time the government has introduced draconian penalties to ensure it is paid on time. This exacerbates business people's sense of grievance."

**Useful reading: VAT and the Small Business, by Edmund Tippett, Kogan Page, £10.95; £6.99. Understanding VAT by William Lovell, Pitman, £7. West, 116 pages, £3.99.*

Barclays steps in to help

MOST bank managers lack the time and the inclination to provide their small business customers with detailed assistance. The result is that the frequent complaint that "the bank doesn't understand my business".

To overcome these objections, Barclays Bank has launched what it calls its Business Growth Service to provide promising customers with advice similar in quality to that available from venture capitalists to their clients.

The new service is currently operating on a pilot basis in the West Midlands, where 15 companies have been helped since operations began in April 1.

Barclays will target small and medium sized businesses - employing 10 to 200 people - identified by its branch managers for having potential for growth. The Business Growth managers would provide between one and two days of free advice to customers.

If the problem required more specialised knowledge the bank advisers would recommend consultants or other experts who would charge their normal fee. Unlike the standard "signposting service" provided by many advice agencies, which frequently leaves the businessman floundering, the Barclays service would help the customer draw up terms of reference for the consultant and monitor the progress of the consultancy contract.

The new service is being headed by Ray Lowe, from Yorkshire Ventures, a development and venture capital company, and Paul Channell of Wakefield District College. Both have been involved at Yorkshire Ventures in providing a similar advice service to local businesses over the past three years. Channell describes the new service as applying "the venture capital philosophy of support".

Barclays says the new service involves a substantial initial cost but it believes that by allowing promising businesses to expand it will provide a payback in the longer term. If it does succeed in providing effective advice to small businesses at an economic cost it is unlikely that this initiative will be without competition from the other banks for very long.

CB

Tempers rise over tax treatment

that in the eyes of the customs themselves that would not have been a mistake but a serious misdeclaration.

What particularly irks the small business community is the fact that the government is able to insist on being paid on the nail but shows little interest in helping businesses obtain prompt payment of commercial debts. Ministers have several times in recent years blocked attempts to strengthen the legal framework for ensuring timely payment.

The legal system for collecting your debts is a nonsense," says David Gowing. "If anyone owes you money it is a waste of time trying to get them to pay. At the same time the government has introduced draconian penalties to ensure it is paid on time. This exacerbates business people's sense of grievance."

**Useful reading: VAT and the Small Business, by Edmund Tippett, Kogan Page, £10.95; £6.99. Understanding VAT by William Lovell, Pitman, £7. West, 116 pages, £3.99.*

BUSINESS SERVICES

DOES THE U.S. MARKET INTEREST YOU?
Talented project management team will work with short or long term U.S.U.K. ventures. Keep your administrative costs to a minimum by letting us help you with: Market Analysis & Development * Strategic Planning * Import Export Sourcing * Competitive Assessments * Warehousing * Distribution System * Joint Venture Teamwork * Product and Service Marketing to U.S. Defence Dept.

WE ALSO SPECIALIZE IN TURNAROUND SITUATIONS
U.K. meetings now being arranged for 3-21 June

LANNEK

25 Edridge Street, PO Box 647, Mc Clellan, MT 59803 Tel 313 468 3010 Fax 313 468 0176

Chairman of Construction Company
British, recently refined, fluent in French and Arabic. Has personal contacts with leading French and Arabic construction companies. International contracts to companies in this field and also act as negotiator and consultant. 35 years experience in worldwide construction projects.

All enquiries to: Collins & Snow, National Westminster Bank Chambers, 143 High Street, Bromley, Kent, BR1 1JG.

For the attention of Mr. Snow.

25 Edridge Street, PO Box 647, Mc Clellan, MT 59803 Tel 313 468 3010 Fax 313 468 0176

BERKELEY SQUARE
Immediately Available:
Prestigious office/meeting room, overlooking Berkeley Square. Suitable for three executives £2,250 per 4 weeks.

• Professional Receptionists/
Secretary
• Seven Boardrooms
• Dedicated Telephone Lines
• Banqueting facilities

Please contact:
Nightshift Secretary
3 Berkeley Square
London W1X 9SH
Tel: 071 580 2416
Fax: 071 581 4811

ADVISOR: LATIN AMERICAN INVESTMENT PRIVATIZATION
Washington-based attorney/consultant. Properties in Latin America for investment opportunities. We are currently involved in the following areas:
• Financial Services
• Manufacturing
• Mining
• Agriculture
• Infrastructure
• Telecommunications
• Energy
• Transportation
• Manufacturing
• Mining
• Agriculture
• Infrastructure
• Telecommunications
• Energy
• Transportation

For a copy of our brochure, "Investing in Latin America", write to: "Primer Contact", write or call:

Michael A. Gershman
Regional Economic Counsellor
P.O. Box 122, CH-1820 Montreux, Switzerland
Tel: (41 21) 705 68 48
Fax: (41 21) (021) 963 80 60
Fax: (41 21) (021) 963 80 60

DOUGHER TURNED GAME Keeper will make your bright forward's dreams come true. No experience, no fee. Write to: Doug Doherty, 100 Southwark Bridge, London SE1 9HL.

HOTELS & LICENSED PREMISES
Pub Companies and Operators
Day to day Estate management available to Public House Companies - basic
Specified service to the offices of the Purchaser / Seller / lessee
M.C.C. Report and the Purchaser / Seller / lessee
Hotels - Single Units or Groups
Contact J. Walsh C.M. Group
Tel (0723) 882300 Fax 0723 86675

EXECUTIVE EDUCATION
Language Training
Learn the language in location. Short term courses in Germany, Spain, Italy & Portugal. All year. All levels. Immersion is the best way. Ask for our business class brochure.

Tel: 081 686 2343. Euro-Academy Ltd (071) 774 George Street, Croydon CR0 1LD. ABTA 69102.



deliveries have been up to standard, Bell explains. AA is happy to continue dealing with its suppliers on the basis of their previous good performance but many large companies are insisting on BS5750. BSI says it is doing all it can to continue dealing with its suppliers on the basis of their previous good performance but many large companies are insisting on BS5750. BSI officials have also agreed to meet the Federation of Self Employed to discuss its members' problems.

The new service is currently operating on a pilot basis in the West Midlands, where 15 companies have been helped since operations began in April 1.

Barclays will target small and medium sized businesses - employing 10 to 200 people - identified by its branch managers for having potential for growth.

The Business Growth managers would provide between one and two days of free advice to customers.

If the problem required more specialised knowledge the bank advisers would recommend consultants or other experts who would charge their normal fee. Unlike the standard "signposting service" provided by many advice agencies, which frequently leaves the businessman floundering, the Barclays service would help the customer draw up terms of reference for the consultant and monitor the progress of the consultancy contract.

The new service is being headed by Ray Lowe, from Yorkshire Ventures, a development and venture capital company, and Paul Channell of Wakefield District College. Both have been involved at Yorkshire Ventures in providing a similar advice service to local businesses over the past three years. Channell describes the new service as applying "the venture capital philosophy of support".

Barclays says the new service involves a substantial initial cost but it believes that by allowing promising businesses to expand it will provide a payback in the longer term. If it does succeed in providing effective advice to small businesses at an economic cost it is unlikely that this initiative will be without competition from the other banks for very long.

In brief...

The growing range of grants and loans available to business from the European Community is explained in 'Finance from Europe,' a guide produced for the London office of the European Commission.

The 32-page booklet provides details of regional aid, special programmes for small and medium-sized businesses, for research and development and for training. It lists contact addresses and includes an index.

**Available from branches of National Westminster Bank Free.*

Twenty three seed capital funds have been established throughout Europe following the launch last year by the European Commission of the European Seed Capital Fund Network.

The funds have raised a total of Ecu36m (£25m) and invested Ecu1.5m in 46 businesses. This is a faster rate of investment than was envisaged by the commission's enterprise directorate.

Newly appointed company directors frequently take no advice about the obligations and risks of their position. Many assume that because their company has limited liability or that because the directorship is non-executive there is no personal risk.

But recent legal changes imposing stricter obligations could expose directors to fines or even imprisonment.

Guidance on ways to minimise the potential risk and a consultation with a solicitor experienced in company law form part of a legal check-up package costing £250 (plus VAT) which has been designed for directors of private and smaller public companies by solicitors Collyer Bristow.*

**Collyer Bristow, 4 Bedford Row, London WC1R 4DF. Tel 071 242 7363.*

The fourth edition of The Enterprise Directory, a guide to training and advisory services for small businesses in Scotland, has been produced by the Scottish Enterprise Foundation.*

The listings include colleges of further education, universities, chambers of commerce, enterprise trusts and district councils.

BUSINESSES FOR SALE

Touche Ross**Interscan Communication Systems Limited**

(In Administritive Receivership)

The Joint Administrative Receivers, R. A. Powdrill and N. G. Atkinson, offer for sale the business and assets of the above company which is engaged in the sale, rental, distribution and servicing of facsimile machines.

- Turnover approximately £7 million per annum.
- Over 2,500 accounts with significant penetration of top 100 PLCs.
- Installed base in excess of 10,000 facsimile machines.
- A main distributor for Panasonic and Murata.
- Nationwide maintenance force.
- Leasehold premises based in London and Slough.

For further information and sales brochure contact Martyn Knight at Slough (0753 696611). Alternatively contact the Joint Administrative Receiver, R. A. Powdrill at the address below.

Friary Court, 65 Crutched Friars, London EC3N 2NP.
Tel: 071 936 3000. Fax: 071 480 6681.

Authorized by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Member
DRIT International**Office Suppliers**

Milton Keynes

The Joint Administrative Receivers offer for sale the business and assets of Buckingham Office Supplies Ltd.

Principal features include:

- Freshhold premises - Bletchley, Milton Keynes.
- Stock of office supplies.
- Fixtures and fittings.

For further information contact the Joint Administrative Receiver, Miles Hally, KPMG Peat Marwick McInotck, Peat House, 1 Waterloo Way, Leicester LE1 6LP. Tel: (0333) 471122. Fax: (0333) 547626.

KPMG Peat Marwick Corporate Recovery

Euroscan Reproductions Limited

(In Receivership)

Eurographics Midland Graphic Services

Nottingham

The above company offers complete pre-press reprographic services with reputable trading history:

- Freehold premises x 2
- Annual turnover £2m
- Skilled workforce
- Prestigious customer base
- Large order intake
- Modern and extensive plant
- Trading profitably

For further details please contact the Joint Administrative Receiver:

Richard Betts,
Grant Thornton,
30 Eoundsgate
Nottingham
NG1 7DH
Tel: 0602 483483
Fax: 0602 476791

Grant Thornton

The U.K. member firm of Grant Thornton International. Authorized by the Institute of Chartered Accountants in England and Wales to carry on investment business.

SALES AND INSTALLATION OF BUSINESS COMMUNICATIONS SYSTEMS

Established business with sales of £1.5m. Owned by working directors seeking growth by merger, acquisition or sale with continued involvement. Head office location - Thames Valley.

Please write Box H8577, Financial Times,
One Southwark Bridge, London SE1 9HL**NEW BABYCARE PRODUCT**

USP product. Fully automated production. Current turnover to blue chip grocery and pharmaceutical multiples £350,000 p/a, including own labels. Eighteen months since start up. Very good potential in Europe.

OFFERS AROUND £350,000

Plus stocks and WIP.

Write Box H8658 Financial Times,
One Southwark Bridge, London SE1 9HL

On the instructions of the Receiver

HOTEL

FOR SALE

THE COMBIES HOTEL
WOOLACOMBE

• Excellent development opportunity/existing hotel

• 91 bedrooms

• Leisure facilities

Grimley J.R.Eye

0272-277778

NURSING HOME GROUPS AND HOSPITAL SITES

Telephone

Keith Tompkins

081 484 6565

UPVC CONSERVATORY, WINDOW MANUFACTURERS

1999 (ie 21st. Cent. Southern England. Local/National customers 3000, own finished factory if required. Large customer base with good repeat business and domestic market.

Contact: Costa Europe Limited

Tel: 071 262 2779. Fax: 071 287 5515

Benzole Homes Ltd

(In Receivership)

Sutton-on-Sea Lincolnshire

This freehold residential site is in three phases of approximately 13 acres and is available as a 'whole' or in three separate lots. Work in progress includes:

- 7 completed and unsold detached properties
- 28 part built detached properties
- Significant infrastructure

Norfolk Crescent London W2

• Long leasehold of an end terraced house, offering six bedrooms, three bathrooms with full vacant possession.

For further details contact the Joint Administrative Receiver: Maurice C Withall, Grant Thornton, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP.

Tel: 071 383 5100
Fax: 071 383 4077

Grant Thornton

The U.K. member firm of Grant Thornton International. Authorized by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Westerly Yachts Limited

(In Administritive Receivership)

The administrative receivers offer for sale the business and assets of Westerly Yachts Limited.

Features include:

- Freehold and leasehold premises in Waterlooville and surrounding area.
- Sales offices at Hamble and Ipswich.
- Freehold repair yard with extensive water frontage in Gosport.
- Range of 11 sailing yachts from 29ft to 48ft with moulds and production facilities.
- Similar facilities for 43ft and 46ft fast motor yachts.

For further information please contact: PS Padmore FCA, Joint Administrative Receiver, Price Waterhouse, The Quay, 30 Channel Way, Ocean Village, Southampton, Hants SO1 1XF. Tel: 0703 330077. Fax: 0703 236252.

Price Waterhouse

0898

CHATLINE

Huge Profits Being Made.

Full Info

021 233 9720 (24hrs).

**Powergrind Limited
Glas-Tech Supplies Limited**

The Joint Administrative Receivers offer for sale, as going concerns, the businesses and assets of Powergrind Limited and Glas-Tech Supplies Limited.

The businesses based in High Wycombe, Buckinghamshire, have been established for many years and manufacture and service their own range of glass cutting and grinding machinery.

Salient features include:

- Annual turnover in excess of £3 million
- Modern leasehold premises
- Plant and machinery
- Stock and work in progress
- Design
- Substantial order book.

For further information contact the Joint Administrative Receiver, Tony Thompson, KPMG Peat Marwick McInotck, Aquila Court, 31 Finsbury Street, St Albans, Hertfordshire AL3 4RF. Tel: 0727 43000. Fax: 0727 41005.

KPMG Peat Marwick Corporate Recovery

Business Centre, Warehouse and Industrial Property

The Administrative Receivers offer for sale the business and assets of Sington Holdings Limited and Sington House Limited.

■ Basingstoke's leading business centre

- 26,000 square feet of offices
- 50% let
- 40,000 square feet of industrial warehousing - fully let
- Prominent site of approx. 2.72 acres
- Substantial income stream

For further details please contact Jason Elles, Administrative Receiver, Ernst & Young, Apex Plaza, Reading, Berkshire RG1 1YE. Telephone: 0734 500611. Fax: 0734 507744.

ERNST & YOUNG

Authorized by The Institute of Chartered Accountants in England and Wales to carry on investment business.

Advance Computer Facilities Management Ltd.

The Joint Administrative Receivers offer for sale the business and assets of Advance Computer Facilities Management Ltd. as a going concern.

The company trades as a dealer for manufacturers of computer equipment and software and providing associated services. Principal features include:

- Annual turnover of £3.4m
- Skilled workforce.
- Established customer base.
- Leasehold premises.
- Ongoing contracts and orders.

For further information contact the Joint Administrative Receiver, Miles Hally at KPMG Peat Marwick McInotck, Peat House, 1 Waterloo Way, Leicester LE1 6LP. Tel: 0533 471122. Fax: 0533 547626.

KPMG Peat Marwick Corporate Recovery

OLD ESTABLISHED

Photography Printing Company in Central London. Extensive range of equipment for black/white and colour reproduction.

TO £205,000.

Price £240,000 inclusive.

Audit accounts available.

Principal only.

Please apply to Box No. H8669

Financial Times, One Southwark Bridge, London SE1 9HL.

Plastics Distribution Business

U.K. based manufacturer of thermoplastic raw materials to an extensive customer base. First quality principals in both commodity and engineering polymers. TO £20 million. Well established and well respected management team.

Write Box H8678, Financial Times, One Southwark Bridge, London SE1 9HL.

Swiss Financial Company For Sale

Write Box 1077, CH 1001 LAUSANNE, Switzerland

A RARE INVESTMENT OPPORTUNITY

Recently refurbished 5 luxury apartments with vacant position since 1989. Excellent location for business or annual letting potential. Reduced to £250,000. Offers invited for quick sale.

Tel: 0893 844663, 5 Sandown Road, Great Yarmouth.

LEASE ON BATH STONE MINE FOR SALE

Write Box H8659, Financial Times, One Southwark Bridge, London SE1 9HL.

HOTELS AND LEISURE TROUBLESHOOTERS

HOTELS (Buying and Selling), Leases, franchises, management, financing and marketing.

Let professionals solve your problems.

Contact us on Tel: 071-323 4322, Fax: 071-436 1095.

Offered for sale by the Joint Administrative Receivers

(In Receivership)

• Bespoke manufacturers and installers of fitted bedroom units for 25 years.

• Current turnover approx £4.8m

• Current office and factory in East London with 14 showrooms and 6 franchise outlets in South England.

For further information apply to Mr G.D. Bratton or Mr C.J. Hughes of Cork Gully, Shirely House, 3 Noble Street, London EC2V 7DQ. Tel: 071 608 7700. Fax: 071 608 9887.

Cork Gully is authorised in the name of Copeys & Lynden.

Details by the Institute of Chartered Accountants in England and Wales to carry on investment business.

iCork Gully

The Northern Counties Motor and Engineering Company Limited

(In Administration)

Pemberton, Wigan

The above company's main activity is the manufacture of double and single deck bus bodies.

- 5 acre freehold premises
- Comprehensive workshop facilities including overhead craneage
- Annual turnover circa £8 million
- Highly skilled workforce

For further details contact the Joint Administrators: Allan Griffiths or Malcolm B Shierston, Grant Thornton, Heron House, Albert Square, Manchester M2 5ED.

Tel: 061 834 5414

Fax: 061 832 6042

Grant Thornton

The U.K. member firm of Grant Thornton International. Authorized by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Rare opportunity to purchase quality hotel at a remarkable price. Fully accredited 4 star hotel with 52 suites. Several bars, Sea Terrace Restaurant and extensive conference facilities. Excellent opportunity to acquire quality underevalued business.

Offers over £2,000,000

Contact Patrick Ryan,

Corporate and Acquisition Division, London Office.

Tel: 071-799 2121. Fax: 071-222 0081

CHRISTIE & CO

CORPORATE & ACQUISITION

Banmoor Masonry Limited

Marble and Granite Cutting and Fixing Business.

The joint administrative receivers of Banmoor Masonry Limited are seeking offers for its business and assets. The key features of the business are:

- Importer, processor, supplier and fitter of marble and granite.
- Annual turnover of £6m.
- Freehold property: 5.4 acres at Redditch.
- Fully equipped cutting and polishing facility; 26,000 sq ft.
- Offices: 6,000 sq ft.
- Skilled workforce of 70.

Enquiries should be directed to: Alan Jamieson or Mike Bury at Price Waterhouse, Albany House, 58 Albany Street, Edinburgh EH1 3QR. Tel: (031) 557 9900. Fax: (031) 225 5352.

Price Waterhouse

THE BUSINESS SECTION ALSO APPEARS ON PAGE 4 TODAY

ECONOMICS

Markets on lookout for US economic revival

FINANCIAL markets will be mainly looking for evidence of economic recovery in the US this week.

Today's Conference Board indicator of consumer confidence for May will be studied closely to see whether the current low level of US interest rates can build on the post-Gulf War revival of optimism and lead to economic growth.

Analysts do not appear too hopeful, however. The median of forecasts gathered by MMS International, the business information group, points to a drop in the Conference Board index to 76.3 from 79.3 in April.

Announcements on Thursday of consumer spending, income and new home sales in April and Friday's April leading indicators should help give a better picture of US economic trends.

A clutch of statistics from Japan on Friday should confirm that the world's second biggest economy continues to prosper while others falter.

Figures for April and May should tell of a continued low unemployment rate of around 2.2 per cent, respectable growth in retail sales and only limited inflationary pressures.

In Europe, interest will probably focus on whether Germany's cost of living data for May, which is expected sometime during the week, points to higher inflation. A formal



retail sales (up annual 5.9 per cent), industrial production (up 0.1 per cent).

Tomorrow: US, revised first quarter GNP, GNP deflator, after tax profits, Canada, April industrial product price index (flat), Germany, Bundesbank council meets.

Thursday: US, April personal income (up 0.2 per cent), personal consumption spending (up 0.1 per cent), new home sales (up 1.5 per cent), France, April CPI (up 0.2 per cent), Australia, 1st quarter GNP (flat against 4th quarter), retail trade (up 1 per cent), UK, Conference on European Monetary Union, Corpus Christi holiday closes many continental European markets.

Friday: US, April leading indicators (up 0.4 per cent), factory goods orders (up 1.5 per cent), factory shipments, bank credit, commercial and industrial loans; May Chicago purchasing managers index, Japan, May Tokyo CPI (up annual 3.2 per cent), April national CPI (up annual 3.6 per cent), unemployment, construction orders, construction starts, housing starts (down annual 16.1 per cent), Canada, March real GDP at factor cost (down 0.2 per cent).

Britain can expect a quiet week after Friday's cut in bank base rates to 11.5 per cent. An important conference in London on Thursday will give Norman Lamont, the chancellor, an opportunity to respond to recent compromise proposals from EC Commission president Jacques Delors that are intended to prevent Britain rejecting Economic and Monetary Union.

Events and statistics, with median market forecasts from MMS International in brackets, include:

Today: US, May consumer confidence, April home sales, France, April trade balance (FFBIBN deficit), Japan, April

RESULTS DUE

ATTENTION will focus on the dividend when British Gas announces its results for the year to end-March on Thursday. The new and much tougher price regime which the company agreed to last month does not come into effect until next April, and so has no immediate effect on the company.

Nevertheless, expectations of the final dividend pay-out were shaded down after it announced to around 8.45p net giving a 16 per cent increase for the year. Net profits will be around £1.2bn.

Thorn EMI's full-year figures on Thursday are expected to show a drop in pre-tax profits from last year's £217.5m to around £190m, £26m in the year, and -Marsden. At the interim stage profits fell 11 per cent to £96.2m, and trading has worsened since then.

Although the group's music side and its Rent-A-Center rental business in the US have fared well, most of its other activities have had a tough year. Thorn's efforts to sell non-core businesses have frequently been frustrated.

Lord King should have a more pleasant task in announcing Babcock International's results on Thursday than he did last week with British Airways, which slumped 62 per cent at the pre-tax level and is set for a first-quarter loss.

Babcock, which Lord King also chairs, is forecast to increase taxable profit to £45m, from £22.6m, for the year to March 31.

Although it is, suffered from the Gulf crisis - profits might have been £3m better but for the halting of an Iraqi power station project - orders from the UK oil industry have held up well. The group is also financially strong, with about £55m cash in hand, raising the question of how some of that might be spent to expand.

The downturn in advertising is expected to have depressed results for the first half at Carlton Communications to be announced tomorrow. City expectations are for pre-tax profits of between £45m and £47m, compared with £64.9m previously, due in part to an expected sizeable drop in the contribution from the video cassette duplication business, where margins have been eroded. However, most analysts are looking for a better second half.

UK COMPANIES

TODAY

Blatchley Motor, Friends' Lodge, Buntingford, Tues 12.00
Ash, Milton Keynes, Tues 12.00
Brake Bros., Apothecaries Hall, Basingstoke Lane, E.C.
Belle Hodge, 155, St. Vincents Street, Glasgow, 12.00
Benn, 5, Baker Street, W. 10.00

Rainco Oil Services, City Communications Centre, 9, Rockwell, Basingstoke, 12.00
Rockwells, The Brewery, Chiswell Street, E.C., 12.00
Role-Royce, Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, S.W. 11.30

Rowes, 1, London Pk Int'l, Tel. 081 251.37

Rowes City of London Pk Int'l, Tel. 081 251.37

Rowes (James) O West Western Res.

Rowes (London)

Rowes (UK)

</div

ARTS

Cosi fan tutte

GLYNDEBOURNE



'Cleopatra': red chalk, late 1630s, by Guercino

A draughtsman's legacy

Susan Moore visits the exhibition of Guercino drawings at the British Museum

The 400th anniversary celebrations of the birth of Giovanni Francesco Barbieri - nicknamed 'Guercino' or 'squint-eyes' for obvious reasons - began early with an exhibition of Guercino in France at the Louvre last May and will culminate in a major retrospective in Bologna in September. Next month the National Gallery will show some 27 paintings from British collections; the British Museum's contribution is a substantial drawings show of over 200 sheets (until August 18) that feels the debate over his relative merits with brush or pen.

Guercino was the most prolific draughtsman of 17th century Italy, and one of the most admired artists in 18th century Britain. As a result, the bulk of the vast corpus of his workshop drawings passed from his heirs into British collections, some 850 into the Royal Collection alone.

Thanks mainly to the energies of the scholar and collector Sir Denis Mahon over the last 40 years, he has become once more one of the most widely discussed artists of the century.

A serious monographic drawings show - and this one, along with its catalogue (British Museum Publications £25, during the exhibition, £29.95) is exemplary - has two responsibilities to its subject. It must represent the artist as a draughtsman, and reveal something of the relationship between the preparatory drawings and the finished work. The compositions Guercino initially conceived for a painting are invariably far more experimental, daring and visually exciting than the those he finally adopted.

Guercino appears to have been an instinctive draughtsman, freely jotting down what he saw of life around him. His is a distinctive drawing style, one of the most easily recognizable and appealing of any Old Master.

In early sheets he has

the breadth of black and sometimes oiled charcoal over coarse paper for bold chiaroscuro effects, daring to leave large areas of untouched paper for pure highlight. His handling of the infinitely more subtle medium of red chalk is masterly; too, note the Aurora for the frescoes in the Casino Ludovisi, and the highly finished studies of infants and putti. Cleopatra is no more ravishing than the two humble women conversing.

It is, however, in his use of pure line in pen and ink that Guercino is most remarkable. His free, calligraphic notation of hoops and loops and hatching is as vital and expressive as it is economical; it is a draughtsman's shorthand, but mass and form, light and drama are suggested in even the most cursory sketches. The pen is 'pressed' harder for an emphatic line or feature; effective blocks of wash inform us of the direction of light with out detailing how that light might fall.

Thanks to the artist's desire to keep his working drawings, it is possible to reconstruct Guercino's thoughts behind numerous compositions, and the show helps further by providing, wherever possible, photographs of the paintings. The series of *Jael* and *Sisera*, for instance, shows Guercino exploiting the possibilities of different moments of action: most striking, the crazed figure of *Jael* looming over the prostrate *Sisera* who writhes in agony under her blows; but he chooses to develop the more acceptable, less violent moment when *Jael* is poised to strike the first blow that will hammer the tent peg into the sleeping *Sisera*'s head.

Similarly, there is a fascinating group for the Assumption of *Amnon* at the Feast of *Abraham*. In each, the servants have their daggers at the throat of *Amnon* who has dared to rape his half-brother's sister. In one version, *Abraham* is fleeing in horror from the murderer he has

perpetrated; in another he looks on impassively. A third shows him goading the assassins on. It is a timeless story of duplicity and revenge, and the artist gives his characters a temporality rather than biblical.

Guercino executed a few small landscapes in oil and tempera before he went to Rome in 1621, but does not seem to have painted landscapes, even as backgrounds, after his return to his native Cento two years later (where he seems happy to have played second fiddle to Guido Reni). Nonetheless, he continued to produce highly finished panoramic landscape drawings, perhaps primarily for his own pleasure. Their faultiness, sweeping pen strokes, lack of wash, and clever exploitation of white ground, suggest that they may have been intended for publication as prints - and that he may have been familiar with the etchings of Rembrandt.

There is a smattering of drawings from little known private collections and what will most surprise the layman, perhaps, is Guercino's fascination with everyday life and everyday folk. Here careful observation is transformed into pure caricature and fantasy.

Genre scenes show a tavern and baker's shop; near-brutish peasants picnicking, and an open-air theatrical performance. A woman pulls out a young girl's tooth with a terrifying implement; in a gender domestic vein, two girls burn over a fire to dry their hair.

The humour is often latorial.

A dog homes in on a street-vendor's scones and soiled pants, and a man empties a chamber pot over the head of a sleeping *Sisera*'s head.

The show ends on such a note: a highly covetable caricature of the back of a line of four children, the tallest with their daggers at the throat of *Amnon* who has dared to rape his half-brother's sister. In one version, *Abraham* is fleeing in horror from the murderer he has

perpetrated; in another he looks on impassively. A third shows him goading the assassins on. It is a timeless story of duplicity and revenge, and the artist gives his characters a temporality rather than biblical.

It's not, I insist, snobbery that made me flinch. This is an exercise in smart-alec ingenuity, designed to indulge a well-heeled audience in a feeling of in-group complicity with the doings on stage. Björnson's designs - which often cramp the available acting space - and costumes are at once wonderfully inventive and horribly self-indulgent.

But that's only an irritation.

The serious problem is that the visual embellishments and hordes of extra contrivance to tell an absurdly early stage far more (and of it trivially reductive) than we want to know; and that the producer strains ever more desperately

to fit the plot and its necessary appearances into the *Nazoli* setting.

It's equally not, I insist again, prosy-minded pedantry that made me resent the feebleness of the necessary glosses on the plot. Would the two young men be taken off a cruise ship for military duty? Would they sneak aboard again? Would they ever? If one cannot believe in the rigorous internal logic of a comedy libretto, with (subtitles), says 'tree' or 'next room', the staging larkily fudges the issue. It's a question of the frame not holding firm, and the picture slipping within.

And yet, in spite of such overwhelming odds, some *Così* depths are sounded. The young men (Kurt Streit and Jake Gardner) behave, physically and emotionally, just like friends; the young women (Amanda Roocroft and Suzanne Johnston) look and act more like sisters than any other I have seen.

The moment of panic that touches all four as the adventure begins to go out of control registers with beautifully succinct expressiveness in each case - Miss Roocroft's 'Per pessi', is a key example, finely directed and touching executed, as well as impressively sung. The mature plot-manipulators (Claudio Desderi and Gianna Rolandi), less bitterly played than has recently been the fashion, are excellently well taken, though Miss Rolandi's voice sounds hardened and Mr Desderi's somewhat mannered in usage.

These moments are, in the end, swamped, yet not easily forgotten. They lead me to hope that, next time Trevor Nunn tackles this opera, he will find the confidence to do it plain, without offering decorative sops to the audience.

Meanwhile, this is not a negligible production, only a deeply disappointing one. It is full of fresh young talent -

notably the extraordinarily promising, if still not "finished" Amanda Roocroft (she now needs to cover her low register); the sensual, sparky Suzanne Johnston, a young Australian of abundant charm (and weak Italian); and Kurt Streit, the nonpareil Mozartian of the evening, a Ferrando who combines suppleness with stamina and light, strong, beautiful tone.

It also has Simon Rattle and the Orchestra of the Age of Enlightenment. They are last year's *Pigro* team; this year, because of the raised pit level, they sound as if in the best way they had always been Glyndebourne's Mozart musicians.

The see-through beauty of the "period" instruments and the rightness of Rattle's direction of them are heard and felt in countless ways. Accents tell: cross-rhythms bite; woodwind lyricism and woodwind wit both hit home with new delight.

Vocal deportment still hasn't been fully thought through: decorations are plentiful but the voices of the sextet aren't all ideally matched to those of the orchestra - and only Mr Streit's rich chimes with the ideals of a "period" *Così*. But then, given the odd mesh of music and drama attained here, these stylistic matters are of subordinate importance.

Max Loppert

By Saturday, when Nuria Espert's new Carmen production reached the end of its first run at the Royal Opera, it had acquired a new conductor and several new singers. The former was Barry Wordsworth, who led a forced, hectic Prelude and then subsided into decent efficiency. (The Quintet was neither fleet enough nor sparkling, but perhaps the tempo was inherited from his predecessor Zubin Mehta.) As the original reports said, Miss Espert's crowd-handling is unexpectedly staid. The chorus looked at home only in Lillas Pasta's inn, which Gerardo Vera has made into a stately *parador*; advance booking



Like sisters: Amanda Roocroft and Suzanne Johnston

Alistair MacBain

essential, all major cards

ge Larin studied French before taking up music, and that showed to advantage; unlike any of his compatriots in recent years, he can sing and speak the language creditably. His *Duo José* was plump, innocent and worried, often touching. He delivered the "Flower Song" with sweet Italianate sincerity. In the last act his ruined *personae* was shamed rather than dangerous: obeying Miss Espert's instructions for the murder, committed not with a knife but with a horrible meat-hook dangling on a long rope, he looked apologetic. In later revivals, I think this *trouville* should be wished only upon tamarins with convincingly nasty streaks.

David Murray

Bath Festival

It would seem to signify a wry sense of humour on the part of festival organisers when they lay on a splendid fireworks display for the opening night and then transport their audience off to a concert in another city. Or perhaps it is the very diversity of events and venues that makes the Bath Festival what it is.

The theme of the programme this year is *Beyond Vienna*, as it is again at a number of other festivals. It is still possible to claim that the subject is timely in a political sense and there are obvious advantages to be had from it in festival planning. The musicians from Eastern Europe are keen to travel and, with a bit of persuasion, one can get local orchestras to be adventurous in their programmes to fit the chosen theme.

At the opening concert in Wells Cathedral the Royal Liverpool Philharmonic Orchestra, under its Principal Conductor, Libor Pešek, did just that. They gave a symphonic poem by Josef Suk, called *Praga*. This describes the 1442 siege of Prague and is the occasion for a lot of fanfares and structures fighting music, rather loosely put together, which do not know from his chamber music to best advantage. But the

show ends on such a note: a highly covetable caricature of the back of a line of four children, the tallest with their daggers at the throat of *Amnon* who has dared to rape his half-brother's sister. In one version, *Abraham* is fleeing in horror from the murderer he has

perpetrated; in another he looks on impassively. A third shows him goading the assassins on. It is a timeless story of duplicity and revenge, and the artist gives his characters a temporality rather than biblical.

It's not, I insist, snobbery that made me flinch. This is an exercise in smart-alec ingenuity, designed to indulge a well-heeled audience in a feeling of in-group complicity with the doings on stage. Björnson's designs - which often cramp the available acting space - and costumes are at once wonderfully inventive and horribly self-indulgent.

But that's only an irritation.

The serious problem is that the visual embellishments and hordes of extra contrivance to tell an absurdly early stage far more (and of it trivially reductive) than we want to know; and that the producer strains ever more desperately

to fit the plot and its necessary appearances into the *Nazoli* setting.

In that respect it was a good choice, as the acoustic of cathedrals is invariably a problem for orchestral concerts. On this occasion the main work was Brahms's Violin Concerto and that did not fare nearly as well. It was a mistake not to put the soloist, Kyung-Wha Chung, on some kind of raised platform. We could hear her but not see her, like the Queen in Washington. And the tone of her solo violin was rendered too thin against the orchestra, supportive though Pešek and the RLPO players were.

On Saturday morning the Vogler Quartet did not encounter any such difficulties in the elegant surroundings of the Guildhall in Bath. This young group is quickly becoming a familiar name in chamber music circles. To judge from the present programme its *Mozart* and *Beethoven* might benefit from more youthful spirit, its *Bach* from harder intensity, but of the astonishing maturity of the playing there is no question. The four young members have all the mastery of fully-formed quartets.

The main attraction of the festival's first weekend was provided by Nicholas Maw, its Resident composer. The title of his *Praga* does not unfortunately mean

that there will be a substantial survey of Maw's music. Apart

from a pair of recitals to come from the Nash Ensemble, one of which will feature a revised version of his *Ghost Dances*, the only other event was the premiere of a Piano Trio at the University of Bath on Saturday evening.

That, though, was worth the billing. Essentially the trio is a traditional work, both as to form and content. In its bitter-sweet lyricism the music is very reminiscent of Maw's teacher, Lemon Berkely, but it also widens its perspective to

take in the quicksilver mystery of a fleeting scherzo and two impassioned outer sections.

Maw is expert in judging exactly how dense to make his ideas and where to place them for maximum effect. The work seemed to me to carry complete conviction and fully deserves to be taken up by other groups.

The Maggini Trio played it wholeheartedly after working hard in the dry acoustic of the University Hall to bring life to their Mozart and Shostakovich trios. For the rest the sun shone and audiences were at capacity. When Bath is as beautiful and as welcoming as this, it is difficult to resist staying for the full two weeks.

Richard Fairman

Bruckner's Fifth

BARBICAN HALL

On Friday Amsterdam's Royal Concertgebouw Orchestra played gloriously for Riccardo Chailly in Bruckner's *B-flat* Symphony, no. 5. Not in the Festival Hall, as predicted in error on this page last week, but at the Barbican, an even less welcoming acoustic for Bruckner, one might have thought - but the Concertgebouw (as we call them for short) the name is actually that of their concert-hall) were more than equal to the challenge.

With their seasoned blend and their famous seal - firm, unanimous, fluid-free - they projected the music without a hint of a raw edge, and with full-blooded scope from the most delicate, speaking pianissimo to towering heights and breadths.

Since Chailly became their principal conductor less than three years ago, he has devoted himself to the orchestra with a single-mindedness rare among modern star-conductors who like to be perpetually on the wing. The fruits of the partnership were plain in this Bruckner. Chailly has acquired real authority in repertoire that few Italian conductors cultivate, and his players, who read his intentions with uncanny sympathy, can now tap veins of playfulness and even ferocity which one might have thought outside their natural range.

David Murray

Alain Lombard conducts *The Rite of Spring* (4561 0630)*Théâtre de la Ville* 20.30 Jean

Gaudin Company presents a new

ballet, *La Dame aux Camélias*,

set to soundtrack of Callas singing

in *La traviata*. Also tomorrow, Fri

and Sat (4274 2277)

ROME

Teatro dell'Opera 20.30 Katia

Pancicelli sings title role in

Piccinni's Iphigénie en Tauride,

also Thurs and Sat. Tomorrow and

Fri: *Rigoletto* with June Anderson

and Leo Nucci (463641)

STOCKHOLM

Royal Opera 19.30 *Die Entführung aus dem Serail* sung in Swedish, with Lena Nordahl as Constanze and Stefan Dahlberg as Belmonte.

Also Thurs (462420)

Konsertbasen 19.30 Young Swedish

solos join the Stockholm

Philharmonic Orchestra for

performances of Mendelssohn's

Violin Concerto and Brahms'

Second Piano Concerto. On Thurs,

the programme is Walton's Cello

Concerto and Rachmaninov's Third

Piano Concerto. Entry is free

VIENNA

Staatsoper 19.30 Peter Schneider

conducts *Dia Zauberflöte* with

Barbara Bonney as Pamina and

Gusta Winbergh as Tamino.

Tomorrow, Fri and Sat: *Die Zauberflöte* (51444 2980)

Sala Pleyel 20.20 Murray Perahia

plays Mozart, Brahms and Chopin and Beethoven. Tomorrow and Thurs:

Konzerthaus 19.30 Alban Berg

Quartet plays string quartets by

M

FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922166 Fax: 071-407 5700

Tuesday May 28 1991

Soviet reform and the west

THE SOVIET economy is in virtual free fall. Gross domestic product is likely to drop by about 20 per cent this year, after an officially-estimated 10 per cent decline in 1990. The budget deficit is out of control and the country is on the brink of hyper-inflation. President Mikhail Gorbachev's last-ditch attempt to impose the half-hearted economic "reforms" carried out by Prime Minister Valentin Pavlov have, as widely predicted, carried the country further down a blind alley.

Yet, less than nine months after Mr Gorbachev rejected the so-called 500-day economic reform programme associated with Mr Stanislav Shatalin, Mr Grigori Yavlinsky and other reform economists, he appears to have accepted their argument that there is no alternative to radical, market-oriented reforms.

Mr Yavlinsky is at Harvard putting the final touches to a revised economic programme. It is designed to convince a sceptical west that this time the intention to reform is serious. Meanwhile, Mr Gorbachev is angling for an invitation to the G7 summit in London to seek large-scale western financing. In Moscow he is already mentioned about \$100bn, roughly in line with the \$20bn to \$30bn a year suggested by Professor Jeffrey Sachs of Harvard.

As President George Bush has dryly observed, "a hundred billion is still a large piece of change." Advocates of large scale aid say it is a bargain compared to what the west is collectively saving, thanks to the end of the Cold War, and a good investment if it can head the moribund Soviet economy in a market-oriented and democratic direction.

False starts

Things are not as simple as that. Writing economic programmes is the easy part. Turning words into deeds is infinitely more difficult. There have been many false starts over the last six years. Mr Gorbachev still calls himself a socialist and a Leninist. The military-industrial complex still abhors an absurd proportion of the country's resources. The KGB and the communist party still wield enormous

power. The country still lacks democratic political institutions capable of demanding the sorts of sacrifices that Polish and east European experience has shown will be required.

Yet grounds for cautious optimism do exist. Last month's agreement between President Gorbachev and leaders of nine of the 15 Soviet republics could mark a milestone in the search for a looser, more federal system. Next month's presidential election could be the fore-runner of popularly-elected republican government throughout this unwieldy empire.

Begging bowl

As things stand, however, there is little point in throwing dollars at a still largely unreconstructed Soviet Union. Consequently it would be premature to invite Mr Gorbachev to turn up with his begging bowl at the G7 meeting in July.

What is first needed is careful scrutiny of the Yavlinsky programme, followed by serious negotiations. The west must make clear its preconditions for assistance, in detail, as well as agreeing what kind of assistance it can best offer.

The broad aim must be to help the Soviet Union look after itself. This does not mean, for example, providing dollars to finance a budget deficit caused by incompetence and political weakness. It may mean providing some backing for currency convertibility. It does mean willingness to send IMF, World Bank and other experts to transfer the technical, financial, legal, accountancy and other skills required to build and operate the fundamental institutions of market-style economies. It also means willingness to help organise a large scale privatisation programme and improvements in the efficiency of key export sectors, like the oil industry.

Yet the Soviet Union, a country with large gold reserves, rich natural and human resources and a bloated military economy, is far from an obvious candidate for western charity. For geo-political reasons, the west may eventually be right to decide to help. But only if it is first absolutely clear that the Soviet Union intends to help itself.

Capping the utilities

WHEN IS regulation the "retail price index minus X" just like that by the rate of return? Answer when the regulator is the director-general of the Office of Water Services (Ofwat). This is the obvious response to last week's warning letter from Mr Ian Byatt on the profits and dividends of the water companies. But it would also be a club one. The truth - not merely in the case of water but also in those of BT, which last week reported profits of over £2bn, and British Gas, which has accepted a tighter cap on prices - is more complex and more significant.

The most important advantage of the privatisation of public utilities has been increased transparency. No longer can these behemoths hide their inefficiency and indifference behind the cloak of the "public interest." But the increased transparency has also demonstrated that in its pursuit of privatisation the government was excessively generous to shareholders, at the expense of consumers.

To their credit, the regulators are trying to overcome the legacy they inherited. The former director-general of the Office of Telecommunications (Oftel), was RPI minus 3 percentage points. In 1989 he shifted this to RPI minus 4% percentage points and now, with the belated inclusion of international calls, he has turned it into RPI minus 5% percentage points.

Similarly, Mr James McKinnon, director-general of the Office of Gas Supply (Ofgas), has proposed British Gas to shift from RPI minus 2 percentage points to RPI minus 5 percentage points. In addition, British Gas will no longer be able to pass through the cost of North Sea gas automatically.

K factor

Mr Byatt's warning, along with his plans to issue a consultative document on the cost of capital this summer, suggests that the review of the water price formula for the water industry, due in 1994, will be at least a month. He also suggests that to make interim adjustments to the formula for the pass through of investment costs (known as "the K factor") and apparently intends to use

As dusk turns to night by Millwall Dock and the Dally Express presses prepare to roar, Mr Bob Voyce is reflecting on the discontent of the men who took his job. Mr Voyce, a former Sunday Times printer, laughs wryly at the idea of an industrial action ballot among Wapping print workers. "I won't be standing outside with them," he says.

Five years ago, Mr Rupert Murdoch's News International turned its back on 200 years of Fleet Street history and abandoned hot metal printing by moving to Wapping, east London. It cast aside the intricate pay scales, the long bouts of industrial disruption, the craft unions' obstinacy. It sacked 5,500 workers, and 850 new ones.

The first Wapping workers were recruited secretly through the Southampton branch of the EETPU electricians' union. The EETPU never gained recognition at Wapping, partly because of the outcry among other unions which had been recognised by News International at its plants around Fleet Street. The EETPU held the ballot at Wapping as part of a recognition campaign.

Wapping devastated union power over newspapers, allowing managers to wake from a production nightmare. Fleet Street had come to exemplify British industry's failings: production plants where capital investment had ground to a halt, where managers had to bargain each night to get papers printed, and where unions maintained old-established demarcations.

Some left London altogether: the newly-established Independent printed at provincial plants, while the Mirror Group moved to Watford. But most tried to remake their past. Buoyed up by expanding sales and an advertising boom, they spent the money from selling Fleet Street buildings on a grand industrial movement in the London Docklands.

Like the early 20th-century factories built by the Lever family at Port Sunlight and the Cadbury family at Bournville, these plants were intended to be a new model of industry. The companies spent up to 100m each to replace the old hot metal with an array of new print technology. There were web offset and flexographic presses, with robots to load paper reels.

And like Bournville and Port Sunlight, it was to be more than a technological experiment. They did not build houses for their workers like the paternalist Lever and Cadbury's. But after the paralysis of Fleet Street, they were determined to have in their plants the most flexible working practices and the best-informed workforce of any British industry.

A cohort of young managers, many from outside Fleet Street, were brought in to run the experiment. They attempted not just to improve on Fleet Street, but to obliterate its memory. Some claim to have succeeded already. "We used to look with envy at how Ford organised work in its plants; we have gone far beyond them in a few years," says one.

Last week's vote at Wapping was the first sign that the experiment could be going awry. The EETPU electricians' union balloted 250 workers after News International decided 185 redundancies and imposed new shift patterns. The union had called a meeting next week to decide on whether to disrupt the five titles, including the Times and The Sun.

Mr Bob Shannon, the EETPU national officer responsible for Wapping, says the company is slipping back into old Fleet Street traditions. He says it has had to offer double rates to fill some of its new shifts. "The way they treat their staff means they are back to the same old dumb insolence, and bargaining over every run," he says.

Some union leaders say Wapping is not alone: managers have stamped authority on their plants so heavily that they risk a second era of disruption.

It, where appropriate.

Four further changes to regulatory control over prices now now sound themselves.

First, why should a price index that includes mortgage interest rates, the community charge and value added tax say anything useful about the prices of "phone calls, gas, water or electricity?" BT, for example, is benefiting from price increases whose rationale was the 9.5 per cent rate of inflation of last June. The best solution might be a comprehensively modified RPI. A second best would be to use the index of producer prices.

Meaningless figures

Second, regulation should never be carried out on the basis of historic cost accounts. It is ludicrous that a capital-intensive enterprise like BT should either be allowed to report such meaningless figures or be regulated on that basis.

Third, the best approach to price regulation is via a medium-term price cap. The resulting incentives for improvements in efficiency are among the most valuable features of the current British regulatory regime. But this can only be set in the light of what is likely to be a reasonable long-run target rate of return. This target should be analysed publicly during the periodic reviews of the price formulae.

Finally, regulators have been too inclined towards agreements behind closed doors. Ofcom, for example, has proposed British Gas to shift from RPI minus 2 percentage points to RPI minus 5 percentage points. In addition, British Gas will no longer be able to pass through the cost of North Sea gas automatically.

K factor

Mr Byatt's warning, along with his plans to issue a consultative document on the cost of capital this summer, suggests that the review of the water price formula for the water industry, due in 1994, will be at least a month. He also suggests that to make interim adjustments to the formula for the pass through of investment costs (known as "the K factor") and apparently intends to use

As newspapers enforce strict control over their print workers there are fears of a new era of disruption, writes John Gapper

Familiar echoes in a brave new world



The way it was: riot police protect themselves from protesting print workers outside the Wapping plant in 1986

He crosses disciplines," says Mr Peter Mills, managing director of the Financial Times plant in East India Dock.

Those that recognise unions have reduced their role. Managers enthuse about walking around their plants talking to workers rather than relying on unions. "We are closer to the staff than ever before. The them and us of the old days has all disappeared," says Mr Murdoch MacLennan, managing director of Associated Newspapers' plant in Surrey Docks.

The pioneering spirit has led to a

the new plants now earn around £27,000 a year.

In these ways, Docklands has turned the Fleet Street world upside down. Those who have worked in both places are bemused at the scale of change. "It has gone completely the other way from Fleet Street. There is no agreement or discussion: managers just dictate what you do," says Mr Frank Walker, a former Express printer who works at West Ferry.

Yet for all the change, there has been some continuity in most plants. They all employ some of those who used to work in Fleet Street - West Ferry printers have 250 workers aged over 50 - and they all recognise unions. The exception is Wapping, which marks the extreme of the revolution. Nowhere else has the break with Fleet Street been so absolute.

At the heart of the News International approach is an after rejection of unions. After it shut out the NGA and the Sogat print unions on its move to Wapping, the only union it could consider was the EETPU. The company had originally recruited skilled workers through the EETPU Southampton branch, and the union had ambitions to represent all Wapping print workers.

But the resulting dispute within the Trades Union Congress meant the EETPU was barred from organising in Wapping until it was expelled from the TUC in 1988. By that time, the company had turned its back on collective representation. It had even disbanded the salaried staff council set up in 1986 for managers to talk to elected staff representatives.

There is pride as well as money at stake in the Docklands plants. Since Wapping, national newspapers have been able to tell other industries how best to manage their workers with a easier conscience. If the spirit of Fleet Street moved down the Thames to the Millwall, Surrey and East India docks, some of that pride would have to be swallowed very publicly.

Wapping enabled newspapers to do more than rid themselves of a large number of print workers: it allowed them to manage plants directly

constant re-organisation of work. West Ferry deals were changed in April 1988 after one review. "We went round with a stopwatch and started thinking for the first time what we would need if we started from scratch," says Mr Rupert Middleton, West Ferry managing director. They had to work for a quarter.

They have organised work so teams of employees work together under the leadership of an overseer, breaking the Fleet Street demarcations. "An engineer does not just sit with his finger in his ear waiting for something to go wrong with the presses.

It is an important respect, the climate remains favourable for them.

High unemployment makes workers wary of striking no matter how badly the plants are managed. "If we went back to people having a reasonable opportunity to move jobs, it might be a different matter," says Mr Alan Parfitt, a national officer of the National General Association print union.

Newspapers have tried a variety of management techniques in their plants. The most radical has been News International, which has abandoned all forms of collective representation for workers. Others such as West Ferry Printers - where the Telegraph and Express are printed - and Associated Newspapers have been more circumspect.

They have organised work so teams of employees work together under the leadership of an overseer, breaking the Fleet Street demarcations. "An engineer does not just sit with his finger in his ear waiting for something to go wrong with the presses.

It is an important respect, the climate remains favourable for them.

High unemployment makes workers wary of striking no matter how badly the plants are managed. "If we went back to people having a reasonable opportunity to move jobs, it might be a different matter," says Mr Alan Parfitt, a national officer of the National General Association print union.

Newspapers have tried a variety of management techniques in their plants. The most radical has been News International, which has abandoned all forms of collective representation for workers. Others such as West Ferry Printers - where the Telegraph and Express are printed - and Associated Newspapers have been more circumspect.

They have organised work so teams of employees work together under the leadership of an overseer, breaking the Fleet Street demarcations. "An engineer does not just sit with his finger in his ear waiting for something to go wrong with the presses.

It is an important respect, the climate remains favourable for them.

High unemployment makes workers wary of striking no matter how badly the plants are managed. "If we went back to people having a reasonable opportunity to move jobs, it might be a different matter," says Mr Alan Parfitt, a national officer of the National General Association print union.

Newspapers have tried a variety of management techniques in their plants. The most radical has been News International, which has abandoned all forms of collective representation for workers. Others such as West Ferry Printers - where the Telegraph and Express are printed - and Associated Newspapers have been more circumspect.

They have organised work so teams of employees work together under the leadership of an overseer, breaking the Fleet Street demarcations. "An engineer does not just sit with his finger in his ear waiting for something to go wrong with the presses.

It is an important respect, the climate remains favourable for them.

High unemployment makes workers wary of striking no matter how badly the plants are managed. "If we went back to people having a reasonable opportunity to move jobs, it might be a different matter," says Mr Alan Parfitt, a national officer of the National General Association print union.

Newspapers have tried a variety of management techniques in their plants. The most radical has been News International, which has abandoned all forms of collective representation for workers. Others such as West Ferry Printers - where the Telegraph and Express are printed - and Associated Newspapers have been more circumspect.

They have organised work so teams of employees work together under the leadership of an overseer, breaking the Fleet Street demarcations. "An engineer does not just sit with his finger in his ear waiting for something to go wrong with the presses.

It is an important respect, the climate remains favourable for them.

High unemployment makes workers wary of striking no matter how badly the plants are managed. "If we went back to people having a reasonable opportunity to move jobs, it might be a different matter," says Mr Alan Parfitt, a national officer of the National General Association print union.

Newspapers have tried a variety of management techniques in their plants. The most radical has been News International, which has abandoned all forms of collective representation for workers. Others such as West Ferry Printers - where the Telegraph and Express are printed - and Associated Newspapers have been more circumspect.

They have organised work so teams of employees work together under the leadership of an overseer, breaking the Fleet Street demarcations. "An engineer does not just sit with his finger in his ear waiting for something to go wrong with the presses.

It is an important respect, the climate remains favourable for them.

MOSS BROS HIRE

HOW TO BE AT YOUR BEST FOR ASCOT WEEK

If you put your shirt on a favourite during Royal Ascot, make sure it's one of our shirts.

Or morning suits. Or any of the accessories you need to be at your best at the races.

We have more styles, more branches - more of everything at Moss Bros Hire: except hassle.

FREE £25 OFF VOUCHER

When you hire an outfit at Moss Bros

Hire you are presented with a free £25 voucher off any retail lounge suit from a Moss Bros Group store.

Book now and miss the rush.

MOSS BROS

HIRE

27-29 King Street, Covent Garden, WC2 Tel: 071 240 4567

88 Regent Street, W1 Tel: 071 494 0665

33-35 Eastcheap, EC3 Tel: 071 626 4247

At Suit Company, 4-10 Bloomsbury Street, EC2 Tel: 071 588 7550

Ascot Enquiry Hotline number (Monday to Friday)

Tel: 071 524 1777 Fax: 071 350 0112

Deeds not words

■ Are Britain's engineers preparing too much, pluming their hopes of higher social status more on words than practical achievements?</p

After 30 years of fratricidal civil war Ethiopia's warrior groups appeared yesterday to have hammered out a ceasefire and negotiated the outline of a peace deal which could pave the way for the country's first democratic elections.

Even at this 5th minute for Ethiopia the deal could lay the foundation for pulling the country back from the precipice of self-destruction and save the Horn of Africa from further famine, floods of refugees and an explosion of ethnic conflicts.

Like the south-west African talks which also began in London two years ago and led to the independence of Namibia, Ethiopia is a beneficiary of the superpower rapprochement.

Since President Gorbachev took office it became increasingly clear that neither Moscow nor Washington wished to continue their proxy battles in the Horn of Africa.

Thus it was Mr Herman Cohen, US assistant secretary of state for African affairs who emerged from the London hotel which hosted Ethiopia's peace talks to say that a ceasefire was being honoured in Addis Ababa and rebel troops should enter the Ethiopian capital as soon as possible.

For the first time after three decades of conflict and frequent famine, Ethiopia—one of the world's poorest countries

has a chance of peace. Yesterday's capitulation of the remnants of former President Mengistu Haile Mariam's government effectively leaves the rebel movements in charge. But fears remain that the country could disintegrate into its disparate ethnic groups, threatening not only Ethiopia's hopes for rehabilitation but also the stability of the east African region.

The announcement of a ceasefire yesterday opened the way for a speedy rebel occupation of embattled Addis Ababa by fighters of the Ethiopian People's Revolutionary Democratic Front, whose victories in the last month forced the collapse of black Africa's biggest army and the flight of Mr Mengistu. It also marked how swiftly events have moved since talks opened informally in London on Sunday.

The US role in negotiating and guaranteeing a transition to peace, democracy and economic regeneration is now crucial. In the next few weeks, Washington's ability to influence political developments in Ethiopia may determine whether the country remains as one stable nation state or splits into ethnically-dominated republics.

The critical need to maintain

Ethiopia's first step on the peace road

All sides brought political maturity to the talks, but much could yet go wrong, writes Julian Ozanne

stability was the principal reason behind the surprising speed of the London negotiations—point stressed strongly by Mr Cohen yesterday.

In order to reduce tensions in the city... the US government is recommending that the forces of the EPRDF enter the city as soon as possible to help stabilise the situation.

With rebels almost at the city gates and gunfire erupting in the capital, the threat of a violent and forcible takeover of the capital raised the spectre of, at the very least, a temporary collapse of governance. For the 7m people facing starvation this year and dependent on an internationally-led relief operation that would have split disaster.

But it also reflects the political maturity and realism that all Ethiopian groups brought to the London talks.

The agreement of a ceasefire and a rapid and orderly entry into the city by the rebel EPRDF, led by Mr Meles Zenawi was the first pre-requisite for long-term stability.

The second was an agreement to avert the demand of the secessionist Eritrean Peoples Liberation Front, which has been battling since 1961 for the independence of the northern Red Sea province of Eritrea, until the formation of a transitional government.

This could only be done once the EPLF had been assured of US support for a referendum in the future, which offered the option of independence. At the same time, such government as remains in Addis Ababa realised that this represented the only deal it could get which still held out the prospect of a unified Ethiopia.

Other critical issues remained to be settled: the exact composition and mandate of a transitional government which will be dominated by the EPRDF, the timetable for elections, the terms of the amnesty demanded by the present regime, and the role of international forces in monitoring the transition and supervising democratic elections.

The outcome is of concern not only to Ethiopians but to



Ethiopian soldiers in the capital, Addis Ababa, on Sunday

US-brokered negotiations settlement both men have shown political leadership.

Mr Zenawi realises that a negotiated settlement with a transitional government which includes members of the former regime will bring a greater chance of stability, win over supporters of the previous government and assuage fears about the EPLF, which until last January was firmly Marxist-Leninist and committed to emulating the Albanian model of Stalinism.

Mr Aferwerki knows that stability in Ethiopia may be his best chance for developing Eritrea and fulfilling the deeply-held desire for self-determination in the province. His offer to delay an independence referendum and his promise that the Red Sea ports of Massawa and Assab—which are part of Eritrea, the fall last Friday of Asmara, the provincial capital of Eritrea and the surrender of 120,000 government troops garrisoned there gave Mr Isayas Aferwerki, the leader of the Eritrean Peoples Liberation Front, *de facto* control of Eritrea after a campaign which has lasted 30 long years.

In coming to London to get a referendum on the future behaviour of the rebel groups, most of which are only just beginning to emerge from a military mentality and understand the complicated political challenges they face. So far the signs are hopeful. Mr Meles Zenawi and committed to emulating the Albanian model of Stalinism.

Mr Zenawi realises that a negotiated settlement with a transitional government which includes members of the former regime will bring a greater chance of stability, win over supporters of the previous government and assuage fears about the EPLF, which until last January was firmly Marxist-Leninist and committed to emulating the Albanian model of Stalinism.

Mr Aferwerki knows that stability in Ethiopia may be his best chance for developing Eritrea and fulfilling the deeply-held desire for self-determination in the province. His offer to delay an independence referendum and his promise that the Red Sea ports of Massawa and Assab—which are part of Eritrea, the fall last Friday of Asmara, the provincial capital of Eritrea and the surrender of 120,000 government troops garrisoned there gave Mr Isayas Aferwerki, the leader of the Eritrean Peoples Liberation Front, *de facto* control of Eritrea after a campaign which has lasted 30 long years.

In coming to London to get a referendum on the future behaviour of the rebel groups, most of which are only just beginning to emerge from a military mentality and understand the complicated political challenges they face. So far the signs are hopeful. Mr Meles Zenawi and committed to emulating the Albanian model of Stalinism.

Mr Zenawi realises that a negotiated settlement with a transitional government which includes members of the former regime will bring a greater chance of stability, win over supporters of the previous government and assuage fears about the EPLF, which until last January was firmly Marxist-Leninist and committed to emulating the Albanian model of Stalinism.

Mr Aferwerki knows that stability in Ethiopia may be his best chance for developing Eritrea and fulfilling the deeply-held desire for self-determination in the province. His offer to delay an independence referendum and his promise that the Red Sea ports of Massawa and Assab—which are part of Eritrea, the fall last Friday of Asmara, the provincial capital of Eritrea and the surrender of 120,000 government troops garrisoned there gave Mr Isayas Aferwerki, the leader of the Eritrean Peoples Liberation Front, *de facto* control of Eritrea after a campaign which has lasted 30 long years.

In coming to London to get a referendum on the future behaviour of the rebel groups, most of which are only just beginning to emerge from a military mentality and understand the complicated political challenges they face. So far the signs are hopeful. Mr Meles Zenawi and committed to emulating the Albanian model of Stalinism.

Many Ethiopians, including some Eritreans and almost all the international powers hope that Ethiopia will remain as one national unit. Anything short of Eritrean independence may be unacceptable to the EPLF. Western diplomats believe, however, that the offer of a delay of the referendum, if it is matched with rapid democratisation in Ethiopia, decentralisation (perhaps even federalism) and significant development and economic assistance to the country, may be enough to entice the Eritreans to vote against secession.

The US' implicit threat that it would not recognise nor aid a secessionist Eritrea carved out by military force rather than by negotiation played a fundamental role in persuading Mr Aferwerki to come to London and participate in peace talks.

The same US carrot and stick also influenced Mr Zenawi who does not want to inherit a country deprived of vital international support after years of economic decline and war damage. Massive resources are needed urgently in Ethiopia both to ward off famine and to start rebuilding the country.

But the prospect of the EPRDF being allowed to govern Ethiopia if it took power by force and the risks of re-alignment and secessionist desires by other ethnic groups also prove a powerful determinant of the desire for a negotiated settlement.

However, the future of Ethiopia will depend on the continued spirit of compromise and negotiation now developing in London and on the international community's playing a constructive role not dictated by cynical self-interest in the transition programme.

Many things could still go wrong. A huge famine this year brought on by a disruption in the relief effort because of fighting would bathe the new transitional government in tragedy and popular anger. Retribution against former members of the regime could easily escalate into severe instability and bloodletting. Any attempt to centralise government or dictate the future would exacerbate secessionist and ethnic sentiments.

Throughout its history Ethiopia has been governed by force from a strong central authority. Now it has a chance to develop on the basis of consensus and respect for individual and group rights. It is a formidable challenge because of the vacuum created by the collapse of misrule. But failure to grasp it will result in the disintegration of Ethiopia and mounting regional instability.

Exchange-rate parities in Europe

A cloud over Emu

By Alberto Giovannini

Clouds have emerged in the plan for monetary union prepared by the Delors Committee and endorsed by European governments. Substantial exchange-rate stability coupled with persistent inflation-rate differentials has pushed relative prices among European countries out of line, and contributed to higher inflation in Germany. Countries such as Italy, and to some extent France, have suffered at least three years of high interest rates for the privilege of maintaining substantially fixed parities relative to the D-Mark.

It is not clear what European countries want to do. Nobody—deputy president of the Bundesbank—wants to talk about re-alignments. Italy and France seem to think that devaluations of the lira and franc would amount to a loss of reputation of their own monetary authorities, with sizeable inflation rates. France is also worried about re-alignments elsewhere: it is a powerful determinant of the peseta but supports a cautious approach to Emu.

The British on the one hand oppose a steady pace to monetary union, but on the other think that a re-alignment of sterling would be an embarrassing signal to the electorate, only a few months after joining the ERM and after disagreements on the UK's role in the European Community.

Those who oppose exchange-rate re-alignments have a point. Re-alignments are inconsistent with a plan for government to relinquish the tool of exchange rate for macroeconomic management. Any exchange-rate re-alignment is effectively an admission that the tool is too important to be given up.

A central feature of the Delors report is the concept of convergence, and, in particular, convergence of inflation rates. Inflation rates are to a large extent determined by the expectations of future exchange rates, and these expectations are affected by experience and the credibility of the exchange-rate promises of European governments.

These promises have been broken many times in the past and currencies such as the lira and the French franc have a

even though—regrettably—political constraints require it.

So, what can European monetary authorities do now? There are three options. The first is to allow re-alignments to occur without changing anything in the plan for monetary union, leaving the EMS status quo. But this option will slow down inflation convergence and might give rise to disruptions within an EMS that is already vulnerable to capital flight.

The second option is to allow re-alignments until the currency reform comes. Since relative prices are already out of line, this option implies either more inflation in Germany, much lower inflation, or possibly even deflation (that is, a fall in prices) elsewhere; it is easy to see bitter disagreements between Germany and other European countries if this option is followed.

The last—and best—option is to accept re-alignments, but only if accompanied by concrete measures that signal the commitment of European governments to Emu. This might include an endorsement of the statute of the European central bank, an endorsement of the concept that monetary union means a single European currency, and an explicit list of the remaining issues to be settled before monetary union.

This strategy is explicitly intended to repair the damage from currency overvaluation and high interest rates in Italy, Spain and perhaps also France, to allow the Bundesbank to stem imported inflation, while still minimising the loss of credibility of the plan to monetary union that any re-alignment would inevitably bring about.

Those who look at monetary union with scepticism will clearly embrace option one. But those who want to achieve a single currency should probably push for option three, keeping well in mind that, inevitably, many difficult technical and political issues will need to be settled very soon.

The author is a professor at Columbia University's Graduate School of Business; a fellow of the Centre for Economic Policy Research in London and a research associate of the National Bureau of Economic Research in Cambridge, Mass.

LETTERS

Voting systems

From Mr Ken Jarrett.

Sir, your readers may be interested to know that recently 80 per cent of the postal group membership of the Union of Communication Workers thought that none of the candidates for the 1991-92 executive council was fit for office. Or so it would seem. Those who voted felt northern candidates were preferable to southern ones. The multiple X voting system was used.

The ballot resulted in a skewed unrepresentative council. The north nominated 14 candidates for the postal group of the council of which 12 were elected, while the south nominated 12 candidates of which three were elected; 19.5 per cent of the postal group voted.

The ballot results indicate that as many members in the south voted as in the north. There were other anomalies.

Surely, it is about time that the UCW, with a membership of some 200,000 and an annual income of about £13m, had its executive council elected by the STV/proportional system of voting. Your postscript may be one of many postal workers who are effectively disenfranchised because they refuse to give credence to a ludicrous system of voting which contains logical deficiencies.

Ken Jarrett,
40 Franklin Road,
Bournville,
Birmingham.

The Sabbath

From Mr Peter James.

Sir, Why do we keep hearing about Sabbath and Sunday trading as if these terms were interchangeable? Surely as informed a newspaper as yourself knows that the Council of Nicaea in 325 AD under Emperor Constantine made people lose their homes, livelihood, and even their lives if they did not stop resting and having services on the Sabbath, that is Saturday. Many lost their lives. The Sabbath has always been Saturday. Respectfully, please refer to Sunday trading.

Peter James,
12 West Priors Court,
Lincs.
Northampton

Principles on which a realistic plan to rescue perestroika would depend

From Mr Padma Desai.

Sir, Your correspondent, John Lloyd, reports ("Gorbachev in secret G7 offer", May 17) on the new perestroika plan proposed by the Soviet economist Grigori Yavlinsky.

Offering rapid reform in exchange for a substantial aid flow—figures ranging from \$15m to \$30bn annually over five years—are being bandied about—for the plan presumably is a trial balloon, floated with Mr Gorbachev's implied consent, for the G7 to catch.

But the premise that a "Marshall Plan" can be mounted for perestroika is utopian. Although deepening Soviet economic crisis would be disturbing, fear of it alone is unlikely to produce plentiful funds for perestroika.

There are several more deserving supplicants for the limited aid funds today. Nor is the Bush administration likely to surmount conservative opposition to an expensive underwriting of Gorbachev simply on a liberal self-interest.

A realistic plan for rescuing perestroika must depend therefore on two mutually reinforcing principles. Significant Soviet concessions on security and foreign policy must be made to enable president Bush to bring the conservatives and hence the US on board. In turn, these concessions must be traded for economic initiatives by the bilateral powers (the EC, Japan and the US) that will produce maximum gain for the Soviets and minimum cost for others. This can be done.

The Soviet Union must conclude the conventional arms treaty, reduce the strategic nuclear arsenal, and join the US in scaling down assistance to warring factions in Afghanistan. The Soviets must be offered immediate entry into the World Bank, with access to its resources for the long-term "structural adjustment" and to the IMF with its host of funds for short-term needs.

The EC would offer the Soviets a five-year Grain and Meat Agreement, selling up to 20m tonnes annually of its farm surpluses on medium-term credit. The EC needs to cut back its farm exports, concluding the Uruguay Round of tariff negotiations. By providing the EC

farmers with a temporary new Soviet market, the agreement would ease the political pain of accepting these cutbacks.

Japan would offer to exchange the four disputed islands, seized by Stalin in August 1945, for sizeable credits and direct investment. This deal did not materialise in April during Gorbachev's visit because of the pre-Gorbachev-Yeltsin accord confrontation politics that had undercut perestroika's prospects.

The Soviet use of multilateral funds, the EC Grain and Meat Agreement, and Japanese credits and direct investment would make a core economic plan of successful transition to market credible. Such a plan would not only exploit but also justify these commitments from the EC, Japan and the multilateral institutions. The

Soviet food problem would be contained; the foreign investments would bring needed technology; the (non-food) credits would ease the transition to convertibility and reinforce the capacity to attract investment from everywhere.

A consortium of the tri-lateral powers and the multilateral institutions would back the plan. Multilateral institutions would monitor the plan, in view of Soviet sensibilities.

The plan can be suspended if mayhem breaks out anew in Moscow. Such a threat would provide the necessary external glue to keep Gorbachev and Yeltsin working together for the orderly progress of perestroika and, equally, of glasnost. Padma Desai,
professor of economics,
Columbia University,
New York NY 10027

Tobacco ads and subsidies

From Mr Bryan Cassidy MEP.

Sir, Alice Rawsthorn and Andrew Hill are to be congratulated on their penetrating criticism of the European Commission proposal to ban tobacco advertising in the European Community ("Tobacco ad ban faces a bumpy ride", May 20). Although the rules of a ban would be that with no advertising of tobacco products, there would be no advertising of tobacco products.

Another irony of the proposed ban is that in the very week when commissioners Papadopoulos and MacSharry (in charge of agriculture) were seeking the approval of the European Parliament to spend Ecu 1.2bn (227m) on support for tobacco growing and intervention in the 1992 EC Budget. That sum makes the total advertising expenditure on tobacco, which your article estimates at between Ecu 500m (350m) and Ecu 600m (340m), look pale by comparison.

Another irony is that as yet the member states of the European Community have done little to ban smoking in public places. In that respect, the European record is much inferior to that of the US where smoking is banned on all inter- and short-haul flights and where most res-

In 1990, the Landesbank Rheinland-Pfalz and its affiliated companies were able to continue the successful development of the preceding years.

The Bank's business grew appropriately in volume terms. The balance sheet total (including the Landes-Bausparkasse) grew by 9.1% to DM 48.2 bn, whilst the volume of business increased by 8.5% to just short of the DM-50-bn-mark. The Group balance sheet total was up by 8.3% to DM 53.2 bn and the volume by 7.9% to DM 54.2 bn.

Given the good investment climate, there was a welcome increase in the Bank's corporate lending. The expansion in the building sector led to a vigorous development in new real-estate lending. There was strong growth in refinancing, leasing and factoring companies and special-purpose banks. Business conducted with federal and state-government issues also demonstrated noteworthy growth. In foreign business, the previous years' positive trend was continued.

The Bank's traditionally strong placing ability has been confirmed, with a further growth in sales of its own and other securities to reach DM 15.6 bn.

In order to be ready for the single European market, the Landesbank Rheinland-Pfalz has

established the necessary presence abroad. It is represented in the key financial centres of Luxembourg, Zurich, Amsterdam, London and Paris and, thanks to a cooperation agreement with the Banco S. Geminiano e S. Prospero SpA, Modena, it now also has access to the interesting economic region of northern Italy.</



FINANCIAL TIMES
COMPANIES & MARKETS

• THE FINANCIAL TIMES LIMITED 1991

Tuesday May 28 1991

21

King & Co
Chartered Surveyors
071-493 4933
7 Stratford Place, London W1N 8AE

INSIDE

SDS struggles for independence

SDS-Sicon (SDS) is in a tight spot. British Aerospace, which holds about 25 per cent of SDS, is backing the bid last week by Cray Electronics for the loss-making computing services company. Unless John Jackson (left), SDS non-executive chairman, can persuade institutional shareholders that enough is being done to return the company to good health, only a competitive bid will keep it out of Cray's embrace. Page 22

Falling out of favour

Investors have embraced the idea that European monetary ties will force bond yields towards those of Germany. So far, this belief has been rewarded through the French market which has grown significantly since 1986. But it may now be "played out" as a converging market, reports Simon London. Page 25

Campneau under fire

Robert Campneau, the French-Canadian entrepreneur, is being sued by the company he founded. The heavily-indebted Campneau Corporation is demanding that Mr Campneau repay \$14.8m in loans, and return several items, including valuable paintings, a Cadillac and telephone equipment, which were allegedly bought by the company for his personal use.

Enough is enough

Continental European property markets have largely escaped the problems of oversupply which have hit Britain, the US and Australia. Analysts cite the effects of restrictive planning policies and more-prudent bank lending as benefiting continental property companies. Vanessa Houlder reports. Page 27

Market Statistics	
Base lending rates	33 Managed food service 29.32
European turnover	22 Money markets 22
FT/ABCI int'l bond svcs	22 NBS 22
Foreign exchanges	33 NBS Tokyo bond index 22
London recent issues	33 US money market rates 24
-London share service	33 US bond prices/yields 24
	33-34 World stock int'l indices 27

Companies in this issue	
Asda	22 Deutsche Bank Cap 22
Bancario San Paolo	22 Fondaire 22
Barwest	22 Lewis's 22
Bank of Spain	22 Maruti Motor 22
Bank of Petroleum	22 Mitsubishi Motors 22
Conforama	22 Petromed 22
Daihatsu Motor	22 Pininfarina 22
Debenhams	22 Thyssen 22
	Water companies 22

IT IS the high season for economic forecasts once again. Later this week, Britain's National Institute of Economic and Social Research will produce its latest assessment of UK and global economic trends. Next week the Organisation for Economic Co-operation and Development unveils the main elements of its summer "Economic Outlook". It will come in time for a meeting in Paris of the economics and finance ministers of the OECD's 24 industrialised member states.

Over the next month or so, a host of other organisations will be polishing their crystal balls and crunching numbers through computers in an attempt to shed light on future developments.

Unfortunately, many of these efforts will be of questionable value. Forecasters tend to do badly when economies are near turning points, and, at present, the outlook for the industrial world's economy is uncertain.

Countries to recession, such as the US and Britain, are assumed to be close to their turning points. But it is difficult to be sure of recovery or to know how strong this will be. This observation is particularly true for Britain after last week's Confederation of British Industry monthly trade survey. It pointed to a continuing fall in manufacturing output over the next four months.

Uncertainty also surrounds the outlook for economies which have so far shown strong growth.

Last week, for example, financial markets were providing mixed signals about Germany. The Frankfurt stock exchange appeared to shake off some of its gloom over the problems of eastern Germany to close at a new high for the year. One reason for this upswing is confidence among German banks that corporate profits will rise. Degussa, the Deutsche Bank's investment research organisation, has forecast an 8 per cent profit gain for German business next year.

On the other hand, the performance of the D-Mark last

Japan's banks reveal sharp profit falls

By Stefan Wagstyl in Tokyo

TOP Japanese banks saw profits fall in 1990 for the second year in a row, as a rise in interest rates cut margins, a tough regulatory regime curbed growth and poor stock market conditions hit securities trading profits.

The combined unconsolidated pre-tax profits of 11 leading commercial banks fell 23.4 per cent in the year to the end of March.

Bankers forecast slight improvements in the current year, on the assumption that interest rates may fall as the economy slows. But they expect little freedom to expand their loan books at anything like the pace they did in the late 1980s.

Also, growing bankruptcies among property companies and others could hurt profits and absorb management time.

The banks' combined business profits, a measure of the profitability of core banking activities, declined just 3 per cent.

The fall is seen as a sign that the squeeze on lending margins imposed by the rise in interest rates over the past two years is easing slightly.

In comparison with previous periods of rising interest rates, the current phase is particularly severe.

It is the first time that banks are having to cope with the con-

tinuing deregulation of interest rates.

Bank executives blamed a weak stock market for cutting into profits. It caused banks to hold down the sale of equity holdings for gains.

The need to comply with capital adequacy standards set by the Bank for International Settlements (BIS) held back loan growth.

The combined loan book of the 11 banks grew just 5.6 per cent, the lowest in recorded history.

Total assets at several banks actually fell as they reduced non-loan assets, including positions in the money markets.

The BIS rules are designed to level the playing field in the global banking industry with the same capital adequacy standards for all internationally-active banks. They require Japanese institutions to have capital equivalent to 8 per cent of risk-weighted assets by March 1993.

All the leading banks except Tokai Bank and Taiyo Kobe Mitsui Bank are above the minimum.

As for banking profits, the biggest decline was suffered by Daiwa Bank, which drew much of its profit from the depressed property sector. The sharp recovery at Tokai follows unusually heavy bond portfolio losses last year.

Bank of Tokyo gained from an

accounting change. Among other banks, the decline in Mitsubishi Bank's business profits was notably small at 1.1 per cent.

Sumitomo continues to lead the pack in international revenues, having recently displaced Bank of Tokyo, the traditional number one. Sumitomo's international revenues rose 21.9 per cent to Y201.4bn (\$1.4bn). Bank of Tokyo scored a 25.9 per cent gain to Y176.5bn.

The biggest increase was achieved by Mitsubishi Bank - 61.7 per cent to Y127.9bn.

Japanese trust banks' profits and table of commercial banks' results, Page 23

McCaw takes a gamble on cellular dream

The US group has taken on heavy debts to develop its vision of a national network, reports Martin Dickson

With his quiet, scarcely modulated voice, reserved manner and neat business suit, Mr Craig McCaw does not look at first glance like either a visionary or a gambler. Yet he is both on a breathtaking scale as chairman of McCaw Cellular Communications.

Mr McCaw, a youthful looking 41, has built McCaw Cellular, based in Washington state, from modest origins into one of the biggest players in the US mobile cellular telephone business. British Telecom was so impressed that two years ago it bought a 22 per cent stake in the US company.

The McCaw gamble is this: the company has taken on a huge debt burden to fund the development of a business which is not expected to report conventional profits until at least the mid-1990s. Even that expectation depends on the industry's remarkable early growth being sustained through the current recession and beyond.

However, Mr McCaw's vision, if fulfilled, could help make the gamble pay off. He wants to create a "seamless" national cellular network - called Cellular One - out of the patchwork of independent licences which compete against regional telephone companies, with their own cellular offshoots, in a collection of local pockets.

Mr McCaw wants to gain a competitive edge by creating a system that combines high quality and user friendliness. This, he argues, would give a powerful marketing boost to all participants in the scheme. And none more so than McCaw, the largest of the independents.

The plan was given a boost this month with the announcement of a joint venture between McCaw and Southwestern Bell, a regional telephone company

which is a large cellular operator outside its local base.

The two companies plan to promote the Cellular One brand name (which they jointly own), encourage other independents to use the identity, and to set common standards of quality.

Wall Street, however, yawned. More than 300 independent licensees (out of 730) covering 86 per cent of the population already use the Cellular One name, and the new marketing strategy will probably take years to produce any significant benefits.

Moreover, investors have more immediate issues to worry about: McCaw's debt profile, the impact of recession on the industry, and the dangers of competition from other telecommunications technologies.

Worries like these have hit cellular stocks hard over the past 18 months. Despite a rally early this year, McCaw shares today only stand at about \$24, far below the \$41.80 which British Telecom paid for its holding in 1989.

However, analysts are now growing a little more positive about the sector in general, and McCaw in particular. They see business holding up better than many had expected in a recession.

The economic downturn has had a significant, but regionally varied, impact on the industry. In many areas subscriber growth has slowed down, customer usage has fallen, particularly in the first quarter of this year when the Gulf war kept people glued to the television rather than telephone.

Revenues per subscriber have been dropping (though this is also a corollary of tapping a wider market) and the marketing costs of edging customers has been rising.

McCaw has not been immune from these forces, but it has

partly offset their impact by a cost-cutting programme. The main performance yardstick for the sector is cash flow. In the first quarter, McCaw's cellular operations produced cash flow of \$300m, about 38.3 per cent of service revenues, compared to \$43.8m, or 31 per cent in the same period of last year.

McCaw's first-quarter results were good, but not great, which means their results were above average compared to other cellular and telephone companies, says Mr Kenneth Leon, an analyst at Bear Stearns.

The figures include a proportionate share of Lin Broadcast, a company with franchises in New York and Los Angeles, two of the busiest cellular markets in the US.

McCaw greatly increased its gambling stakes - and its debt burden - last year when it paid \$3.4bn to assume 52 per cent own-

ership of Lin. It argued that this would give it the critical mass necessary for its national network.

Still, we are not hiccoughing," says Mr Leon. "McCaw's first-quarter results are seeing one of the worst recessions this country has had and we are not hiccoughing."

Still, the company's long-term fortunes depend on how well cellular's growth is sustained as the US emerges from recession. Many analysts argue that, despite the current weakening, the sector will be one of the strongest growth industries of the decade. They estimate that penetration of the potential subscriber market will rise from about 2 per cent now to 7.8 per cent by 1995 and possibly 12 per cent by 2000.

McCaw's strategy of building up regional clusters in fast-growing markets means that it is likely to be one of the primary beneficiaries of this growth.

Analysts add that the threat from rival technologies, notably McDonald's, the fast food chain, for both quality and consistency, "quality," he says, "is a great tool to make money."

Economics Notebook
Forecasters rush to play the numbers game

Friday seemed to contain a different message. It too was strong, particularly in New York where it gained against sterling and took some of the shine off Friday's UK base rate cut to 11.5 per cent.

One reason for the D-Mark's strength was the news that Mr Helmut Schlesinger was almost certain to become the next Bundesbank president. Mr Schlesinger has no truck with inflation and the D-Mark's

strength suggests that the foreign exchange market expects him to keep the German currency strong. That could mean higher interest rates which would crimp the economic growth that German bankers seek.

Undeterred by such confusion, five of Europe's better known economic research institutions recently produced their ideas of what Europe will look like in 1995. What distinguishes this venture from many other forecasting efforts is that it attempts to fuse insights from macro- and micro-economic research and draw out the business implications for 40 business sectors in the 12 EC countries.

The British end of the project is carried out by Cambridge Econometrics. The German partner is the highly-regarded

institute of basic products such as raw steel, cement and ethylene in the 1990s. Instead, it expects more output of better quality products, based on new technologies, such as high-performance steels.

The part of the report concerning the spread of information and communication technologies (ICT) in Europe provides less comfortable reading.

The institutes agree that Europe's information technology sector faces particular problems and is failing to compete successfully with large US and Japanese companies. Yet the 1990s will be a decade in which ICT will find an ever-growing range and depth of applications in households, services and in the manufacturing industry.

In this context, a study based on research by the IFO institute of late 1990s international patent activity in the EC, Japan and the US is especially worrying. This suggests that Europe is falling behind in the race to develop and use ICT in new products outside the narrowly-defined electronics sectors such as the office and data processing equipment, consumer electronics and telecommunications industries.

IFO studied patents filed at least two countries between 1985 and 1988 on the grounds that these reflect the inevitable lags in invention. It found some insight into the product innovations of at least the first half of the 1990s.

It found that Europe came third behind Japan and the US in applying electronics to inventions in all but three of 15 science-based industries. Only in one industry - optical precision instruments - did Europe's share of electronic-based inventions exceed the shares of Japan and the US.

Nissan UK records income of £67m

By Kevin Done in London

NISSAN UK, the privately-owned company embroiled in a bitter legal fight against the termination of its sole British distribution franchise for Nissan vehicles, made a pre-tax profit of £67.1m (\$116m) on turnover of £260.5m in its last financial year.

The result disclosed in audited accounts filed last week was 22 per cent higher than the £55m previously reported by NUK in unaudited figures in December.

In the year to the end of July 1990, NUK's pre-tax profit at £67.1m was almost unchanged from the £67.7m achieved a year earlier. Turnover, however, fell from £265.2m to £260.5m. NUK sold 128,000 cars and commercial vehicles in the 1989/90 financial year. Nissan accounted for more than 50 per cent of UK new car sales in 1990.

Nissan UK Holdings, the NUK parent company, achieved a pre-tax profit of £60m on turnover of £215.2m.

The NUK business is in jeopardy following a court ruling last week. The High Court refused to grant an interim injunction against the move by Nissan Motor, Japan's second-largest car maker, to terminate NUK's agreement with it from the end of 1991. NUK has indicated that it intends to appeal.

The NUK annual report underlines that the group's "principal activity is as the holder of the sole concession in the United Kingdom for the distribution of automotive products manufactured by Nissan Motor in Japan, Spain and the UK". Nissan Motor is determined to set up its own distributing operation.

CINVen

The prospect of approaching some venture capitalists can

be a daunting one. But if you're looking for a totally different

approach, the answer is CINVen. We're backed by three of Europe's

largest pension funds, and currently manage over £600 million of

investments. For more information, call Sally Wright at CINVen on

071-245 6911. Our solutions could make all the difference.

Member of IMA

COMPANIES AND FINANCE

Substantial fall in Thyssen six monthly profits

By David Marsh in Bonn

NET PROFITS at Thyssen, the German steel and engineering group, fell sharply from DM1.035bn to DM470m in the first half.

The company called the result "satisfactory" but made clear that worsened economic conditions in the steel area damped earnings compared with the favourable figures 12 months earlier. Pre-tax earnings were down from DM705m to DM470m (DM275.4m).

The outlook for coming months was "restrained", the company said, reflecting general slowing in world economic growth. Although west Germany and Japan were still performing relatively buoyantly, dynamism was ebbing in these two countries, and conditions have weakened above all in the Anglo-Saxon countries and in eastern Europe.

Turnover in the six months ended March 31 rose 6 per cent to DM17.7bn (DM16.5bn). This was, however, the result of alterations in consolidated group accounting - above all the acquisition of the Otto-Wolff group - mainly reflecting changes in the second half of the 1989-90 year.

In spite of the overall damping of the international econ-

omy, Thyssen profited from an increase in incoming orders. Orders in hand at the end of March totalled DM4.4bn.

Investments fell to DM1.23bn (DM1.05bn), with the company soon diverted by the acquisition of Otto Wolff. Current investment expenditure for modernisation of production facilities, at DM1.1bn, was higher than a year ago.

Steel turnover rose 22 per cent to DM6.7bn (DM5.5bn), but this was solely from the inclusion of Otto Wolff. Volumes and prices fell back in the steel area, while the problems of east European steel industries provided an additional burden.

Turnover in capital goods and manufacturing rose 11 per cent to DM5.2bn, with Thyssen Industrie showing above average growth of 22 per cent. The Bude Company, which supplies components for the US vehicle industry, suffered severely from sales difficulties in US cars, and turnover dropped 8 per cent in dollar terms.

Trading and service activities rose 25 per cent to DM8.5bn, while special steel turnover fell 13 per cent to DM2bn as a result of general market difficulties.

Deutsche Bk Capital Mkts gilt-edged start-up

By Sara Webb

DEUTSCHE Bank Capital Markets will start operating as a gilt-edged market-maker next year, and has begun recruiting from one of the City's leading gilt houses.

Mr John Lake, managing director of Greenwich Markets Gilt-Edged, which is one of the biggest gilt-edged market-makers, has been appointed joint managing director of Deutsche Bank in London.

Deutsche Bank said that the move into gilt-edged market-making is part of its overall strategy to build up its worldwide business in government bonds.

Standard & Poor's, the US credit rating agency, may place certain mortgage-backed issues in the UK on its Creditwatch surveillance list this week following concern about a number of UK composite issuers.

The alarm about several mortgage-backed issues stems from the decision by S&P last week to place a number of UK insurance companies on Creditwatch "with negative implications."

Some of these composite issuers provide insurance for securitised mortgages and S&P said that some issuers were considering upgrading their insurance cover now.

This announcement appears as a matter of record only



BUCKINGHAM INTERNATIONAL PLC

£59,000,000
Medium Term Revolving Credit and Working Capital Facility

Arranger
ANZ Merchant Bank Limited

Lead Managers
ANZ Grindlays Bank plc Barclays Bank PLC
County NatWest Limited Robert Fleming & Co. Limited

Managers
Bank of Scotland Credit Agricole, London Branch

Co-managers
Den norske Bank PLC

Agent
ANZ Merchant Bank Limited

May, 1991

SD-Scicon will not be seeking a white knight

Persuasion or a competitive bid is the way to fight off Cray, says Alan Cane

TIME may be running out for SD-Scicon, the loss-making computing services company which became the subject of a bid from Cray Electronics last Friday.

British Aerospace, which holds about 25 per cent of SDS equity, has already decided to accept suggesting it has little faith in the ability of the present management to restore profitability at the troubled group.

At the bid price of 41p for each ordinary share, it will have to take a hefty loss on its investment - it bought into Systems Designers, the predecessor of SDS, in 1987 at 99.75p.

Cray's offer represents a fair premium on SDS's share price of about 30p, before its speculation raised it to 40p.

SDS is determined to maintain independence. A defensive strategy is being put in place and will be unveiled in answer to Cray's offer document, according to Mr Jackson. He said he was not seeking a white knight to retrieve the situation.

It's troubles are, it has to be said, largely of its own making. It has failed to make friends in the City and has alienated many in the computing services industry.

The company was formed in 1988 through the merger of

shareholders - principally Morgan Grenfell Asset Management and the Prudential - that enough is being done to return the company to good health, only the emergence of a competitive bid will keep it out of Cray's embrace.

But from where? Every large European computing services company has looked at SDS over the past few months, but no bids have been forthcoming. Cray, playing the role of stalking horse, making a derivative offer to flush out a more realistic bid?

Cray's management, under chairman Sir Peter Michael, argues that the bid represents a fair premium on SDS's share price of about 30p, before its speculation raised it to 40p.

SDS is determined to maintain independence. A defensive strategy is being put in place and will be unveiled in answer to Cray's offer document, according to Mr Jackson. He said he was not seeking a white knight to retrieve the situation.

It's troubles are, it has to be said, largely of its own making. It has failed to make friends in the City and has alienated many in the computing services industry.

The company was formed in 1988 through the merger of



John Jackson: faces two weeks of hectic lobbying

pre-tax profits fell for the first time since 1985 and several companies failed.

But SDS's losses were nothing to do with the recession for it made an operating profit of 26.2m. They were directly the result of a £24.5m provision against more than a dozen fixed price contracts which had slipped out of control.

Large fixed price contracts in the computer software business are notoriously difficult to tie up capital and skilled technicians and the costs of slippage can escalate alarmingly. Most important they require a high level of expertise in what is known as "change management". All large projects change during their implementation; the skill lies in understanding how to agree the nature and cost of the changes.

SDS's project management was, it seems, less than professional. Mr Philip Swinestead, chief executive, moreover, offended competitors by claiming that computing services companies in general lacked the experience to manage large projects. Many felt that SDS had damaged the industry's reputation through poor project pricing. Directors in SDS last year secured both the highest pay and the highest

increases in the industry - Mr Swinestead's remuneration rose 43 per cent to £159,000.

SDS now claims it has brought in new and professional management. Bureaucracy has been stripped out and project guidelines agreed. City analysts agree the company should return to profit this year, perhaps making a further rise of over £200m.

Sir Peter Michael and his team at Cray, an electronics company specialising in software, telecommunications and instrumentation and capitalised at around £28m, accepted that SDS is fundamentally sound but argue it needs better control and direction.

They have an impressive track record, building up UK before selling it to Caritas Communications for £50m in 1988 and turning Cray round after it got into serious difficulties two years ago.

The fact remains that hostile bids for software houses are rarely successful and computing services companies are difficult to manage as part of other businesses - note that ICL has established separate subsidiaries to manage its growing software interests. Cray may succeed in its bid, but will it have bitten off more than it can chew?

Asda fails to identify mystery share buyer

By Michiyuki Nakamoto

ASDA, the supermarket chain and the UK's fourth largest retailer, is again facing mounting speculation that it is the target of a takeover bid.

The group has been unable so far to identify a mystery buyer or buyers which acquired approximately 6 per cent, or 12m, of its shares a week ago last Friday.

The group issued 212 notices to several companies last week in an attempt to find out who the mystery buyer was, but the action has not yielded any positive results so far.

Several German groups, including Aldi, the discount supermarket group and Tengelmann, Europe's largest retailer, have been identified by marketmakers and other sources in the City as likely buyers in Asda. However, the group's brokers have as yet not been able to place where the 12m shares have ended up.

During this time, the shares have languished, closing at 108p last Friday, which is virtually half the 1989 high of 212p.

Results for the 28 weeks to

Lewis's sells store lease

DEBENHAMS, the department store chain owned by the Burton Group, is buying the lease of the Lewis's store in Glasgow, writes Maggie Urry.

This will give Debenhams, which has 84 department stores including four in Scotland, its first shop in that city. Lewis's was an 11-store chain which went into receivership

in February. Debenhams is in discussions with Grant Thornton, the receivers for Lewis's, about the purchase of the business of the store which has continued trading.

Five stores were sold in March and Grant Thornton also said it hoped there would be news on further store sales soon.

During this time, the shares have languished, closing at 108p last Friday, which is virtually half the 1989 high of 212p.

Results for the 28 weeks to

Three water companies' results

Three water companies - Folkestone & District, Suffolk and Cambridge - have reported results for the 15 months to March 31, 1991.

Folkestone's pre-tax profits, the first full set of figures since privatisation, amounted to £1.62m on turnover of £9.75m.

Cambridge Water reported pre-tax profits of £1.75m from turnover of £13.33m.

The final dividend is 20p making 32p.

In the previous 12 months pre-tax profits were £1.08m on turnover of £8.83m.

Suffolk Water turned in pre-tax profits of £4.02m from turnover of £15.31m.

A final dividend of £1.25p makes a total of 37.5p and comes from earnings of 72p.

Profits in the foregoing 12 months were £2.27m struck on turnover of £9.58m.

Cambridge Water reported pre-tax profits of £1.75m from turnover of £13.33m.

The final dividend is 20p making 32p.

In the previous 12 months pre-tax profits were £1.08m on turnover of £8.83m.

Suffolk Water turned in pre-tax profits of £4.02m from turnover of £15.31m.

A final dividend of £1.25p makes a total of 37.5p and comes from earnings of 72p.

Profits in the foregoing 12 months were £2.27m struck on turnover of £9.58m.

Cambridge Water reported pre-tax profits of £1.75m from turnover of £13.33m.

The final dividend is 20p making 32p.

In the previous 12 months pre-tax profits were £1.08m on turnover of £8.83m.

Suffolk Water turned in pre-tax profits of £4.02m from turnover of £15.31m.

A final dividend of £1.25p makes a total of 37.5p and comes from earnings of 72p.

Profits in the foregoing 12 months were £2.27m struck on turnover of £9.58m.

Cambridge Water reported pre-tax profits of £1.75m from turnover of £13.33m.

The final dividend is 20p making 32p.

In the previous 12 months pre-tax profits were £1.08m on turnover of £8.83m.

Suffolk Water turned in pre-tax profits of £4.02m from turnover of £15.31m.

A final dividend of £1.25p makes a total of 37.5p and comes from earnings of 72p.

Profits in the foregoing 12 months were £2.27m struck on turnover of £9.58m.

Cambridge Water reported pre-tax profits of £1.75m from turnover of £13.33m.

The final dividend is 20p making 32p.

In the previous 12 months pre-tax profits were £1.08m on turnover of £8.83m.

Suffolk Water turned in pre-tax profits of £4.02m from turnover of £15.31m.

A final dividend of £1.25p makes a total of 37.5p and comes from earnings of 72p.

Profits in the foregoing 12 months were £2.27m struck on turnover of £9.58m.

Cambridge Water reported pre-tax profits of £1.75m from turnover of £13.33m.

The final dividend is 20p making 32p.

In the previous 12 months pre-tax profits were £1.08m on turnover of £8.83m.

Suffolk Water turned in pre-tax profits of £4.02m from turnover of £15.31m.

A final dividend of £1.25p makes a total of 37.5p and comes from earnings of 72p.

Profits in the foregoing 12 months were £2.27m struck on turnover of £9.58m.

Cambridge Water reported pre-tax profits of £1.75m from turnover of £13.33m.

The final dividend is 20p making 32p.

In the previous 12 months pre-tax profits were £1.08m on turnover of £8.83m.

Suffolk Water turned in pre-tax profits of £4.02m from turnover of £15.31m.

A final dividend of £1.25p makes a total of 37.5p and comes from earnings of 72p.

Profits in the foregoing 12 months were £2.27m struck on turnover of £9.58m.

Cambridge Water reported pre-tax profits of £1.75m from turnover of £13.33m.

The final dividend is 20p making 32p.

In the previous 12 months pre-tax profits were £1.08m on turnover of £8.83m.

Suffolk Water turned in pre-tax profits of £4.02m from turnover of £15.31m.

A final dividend of £1.25p makes a total of 37.5p and comes from earnings of 72p.

Profits in the foregoing 12 months were £2.27m struck on turnover of £9.58m.

Cambridge Water reported pre-tax profits of £1.75m from turnover of £13.33m.

The final dividend is 20p making 32p.

COMPANIES AND FINANCE

Japanese trust banks' business profits dive 54%

By Neil Weinberg

JAPAN'S seven trust banks saw a 58.9 per cent drop in combined business profits and a 67.5 per cent fall in pre-tax profits in the year to the end of March.

Business profits, a measure of profits from banking operations, fell for the second consecutive year, and showed the sharpest fall since fiscal 1989. The banks blamed higher interest rates, fees and funding costs, combined with declines in margins on loans.

Consolidated profits also fell sharply due to the sluggish stock and real estate markets.

Losses on bond trading rose 38.5 per cent above the previous year's level, to Y15.4bn (US\$122m). Pre-tax revenues, the equivalent of sales, climbed 11.8 per cent to Y73.95bn on increased fund management and loan activities. However, revenues from trust accounts fell 9.7 per cent due to higher fund procurement costs.

Profits from sales of securities rose 11 per cent to a record high of Y435.4bn. The trust banks undertook some of the sales to cover losses from other operations. This resulted in a 23 per cent decline in latent

profits, or the difference between the book and higher market value of their securities portfolios.

Mitsui, with the highest net profit, reported a decline to Y1.56bn from Y1.61bn one year earlier.

Four of the trust banks suffered declines in their capital-to-equity ratios. The figures fell to 10.2 per cent from 11.8.

Mitsubishi, 10.4 per cent for Toyo and 12.9 per cent for Nippon. The ratio was unchanged for Yasuda at 10.3 per cent and rose to 14.5 per cent at Mizuho and 13 per cent at Chuo. The trust banks are counting on the decline in Japanese interest rates to support operations in the year to the end of March 1992.

• Tokyo, one of Japan's leading railway companies and the core of the Tokyu group, posted a weak 1.8 per cent rise in pre-tax profits to Y12.71bn and 1.6 per cent in after-tax profits to Y6.75bn for the year to the end of March.

Sales for the year climbed 11.0 per cent to Y277.71bn, supported by growth in real estate operations, but higher interest rates took their toll on profits, to the end of March.

Sales for the year to end-March were Y326.71bn, up from Y2.45bn, and are expected to increase by 4.7 per cent this year.

• Daitohatsu Motor reported a 10.3 per cent increase in pre-tax profit to Y12.71bn in the year to end-March, but it also predicts that profits will remain unchanged this year. Sales last year rose 13.4 per cent to Y277.71bn, and a 1.6 per cent increase is expected during the current period.

Mitsubishi Motors 21% ahead but sees flat year

By Robert Thomson
in Tokyo

MITSUBISHI Motors Corporation, the Japanese car maker, boosted pre-tax profits 21.2 per cent to Y50.2bn (US\$361.2m) in the year to end-March. It attributed the rise to the successful introduction of several new models, but it expects sluggish markets will keep profits flat this year.

The company reported a 14.2 per cent increase in sales to Y2.312.6bn, but predicts sales this year will be only slightly higher at Y2.450m.

The Japanese car market has slowed in recent months, but Mitsubishi has defied the trend with the success of its luxury class Diamond.

• Mazda Motor, another Japanese car maker, reported a 2 per cent increase in pre-tax profit to Y46.1bn for the past year, but the company expects tougher market conditions will mean a 2.5 per cent fall in profits this year.

Sales for the year to end-March were Y326.71bn, up from Y2.45bn, and are expected to increase by 4.7 per cent this year.

• Daitohatsu Motor reported a 10.3 per cent increase in pre-tax profit to Y12.71bn in the year to end-March, but it also predicts that profits will remain unchanged this year. Sales last year rose 13.4 per cent to Y277.71bn, and a 1.6 per cent increase is expected during the current period.

Fondiaria and San Paolo bank in insurance venture

By Halg Simonian in Milan

FONDIARIA, the big Italian insurer, and Istituto Bancario San Paolo di Torino, the country's largest bank, are joining forces in a new joint-venture insurance company.

Fondiaria's Milano Assicurazioni unit will pay L80bn (US\$63.9m) for a 50 per cent stake in the venture, to which San Paolo will contribute Cidas, Sipsa and Polaris Vita, its three insurance operations.

Separately, Milano Assicurazioni will raise L106.5bn via a two-for-five rights issue of new

(US\$8.5m) loss.

The accord will also end a lengthy period in which Fondiaria has been searching for a substantial banking partner for its bank-insurance strategy.

Fondiaria, the holding company consolidated last year as part of the group's restructuring, has raised its dividend to L800 a share from L500.

Group net profits in 1990 rose marginally to L11.5bn in 1990, from L11.5bn in 1989 by Fondiaria Spa, which is now an operating subsidiary

Pinault sets out terms for Conforama

By William Dawkins

in Paris

PINAULT, the French timber, electrical distribution and trading group, has unveiled the terms under which it is to pay up to FF14.5bn (US\$1.1m) for Conforama, France's largest furniture chain.

The complex two-stage deal will create a group with FF18.5bn of sales and boost the cash balances of Mr Bernard Arnault, chairman of the LVMH luxury goods group, who controls Conforama via the Bon Marché stores group.

Bon Marché is to sell to a Pinault unit, equity warrants and new Bon Marché shares worth between FF3.11bn and FF14.4bn, at FF1.018 a share, a 25 per cent-plus premium on market prices.

The Pinault unit, Compagnie Internationale d'Aménagement, will then exchange its Bon Marché shares for a stake of at least 70 per cent in Conforama.

Pinault's chairman, Mr Jean-Pierre Pinault, said: "The deal is a

Banesto wins accounting row against authorities

By Tom Burns in Madrid

in Paris

BANESTO, the big commercial bank which controls Spain's largest privately-owned industrial conglomerate, has won a victory over the Bank of Spain concerning provisions for the 1990 falls in the market value of its industrial assets. It has also forced the monetary authorities to modify the guidelines by which domestic banks consolidate their balance sheets.

Mr Conde announced profit of FF174.5bn (US\$63m) for the bank's financial group in 1990, a 56 per cent increase on the previous year. Banesto, the parent bank, raised its profits by 10.4 per cent to FF33bn and will be repeating last year's dividend of FF200 per share.

The financial group's balance sheet includes a FF25bn item that is noted as a "harmonisation adjustment" to account for share price losses in its conglomerate, the Corporation Industrial. However, this item is taken against reserves and makes no impact on the vastly-improved consolidated profit. Had the provisions been passed through the profit and loss account, as the Bank of Spain had originally insisted, the group's profits would have been reduced to FF160bn.

The presentation indicated that the Bank of Spain had retreated from its position. It said yesterday norms for the financial sector, which reflect changed rulings introduced this year by the economy min-

istry and which allow Banesto's provisions to bypass the profit and loss account, would be published later this week.

Mr Conde announced profit of FF174.5bn (US\$63m) for the bank's financial group in 1990, a 56 per cent increase on the previous year. Banesto, the parent bank, raised its profits by 10.4 per cent to FF33bn and will be repeating last year's dividend of FF200 per share.

The financial group's balance sheet includes a FF25bn item that is noted as a "harmonisation adjustment" to account for share price losses in its conglomerate, the Corporation Industrial. However, this item is taken against reserves and makes no impact on the vastly-improved consolidated profit. Had the provisions been passed through the profit and loss account, as the Bank of Spain had originally insisted, the group's profits would have been reduced to FF160bn.

The presentation indicated that the Bank of Spain had retreated from its position. It said yesterday norms for the financial sector, which reflect changed rulings introduced this year by the economy min-

istry and which allow Banesto's provisions to bypass the profit and loss account, would be published later this week.

Mr Conde announced profit of FF174.5bn (US\$63m) for the bank's financial group in 1990, a 56 per cent increase on the previous year. Banesto, the parent bank, raised its profits by 10.4 per cent to FF33bn and will be repeating last year's dividend of FF200 per share.

The financial group's balance sheet includes a FF25bn item that is noted as a "harmonisation adjustment" to account for share price losses in its conglomerate, the Corporation Industrial. However, this item is taken against reserves and makes no impact on the vastly-improved consolidated profit. Had the provisions been passed through the profit and loss account, as the Bank of Spain had originally insisted, the group's profits would have been reduced to FF160bn.

The presentation indicated that the Bank of Spain had retreated from its position. It said yesterday norms for the financial sector, which reflect changed rulings introduced this year by the economy min-

istry and which allow Banesto's provisions to bypass the profit and loss account, would be published later this week.

Mr Conde announced profit of FF174.5bn (US\$63m) for the bank's financial group in 1990, a 56 per cent increase on the previous year. Banesto, the parent bank, raised its profits by 10.4 per cent to FF33bn and will be repeating last year's dividend of FF200 per share.

The financial group's balance sheet includes a FF25bn item that is noted as a "harmonisation adjustment" to account for share price losses in its conglomerate, the Corporation Industrial. However, this item is taken against reserves and makes no impact on the vastly-improved consolidated profit. Had the provisions been passed through the profit and loss account, as the Bank of Spain had originally insisted, the group's profits would have been reduced to FF160bn.

The presentation indicated that the Bank of Spain had retreated from its position. It said yesterday norms for the financial sector, which reflect changed rulings introduced this year by the economy min-

istry and which allow Banesto's provisions to bypass the profit and loss account, would be published later this week.

Mr Conde announced profit of FF174.5bn (US\$63m) for the bank's financial group in 1990, a 56 per cent increase on the previous year. Banesto, the parent bank, raised its profits by 10.4 per cent to FF33bn and will be repeating last year's dividend of FF200 per share.

The financial group's balance sheet includes a FF25bn item that is noted as a "harmonisation adjustment" to account for share price losses in its conglomerate, the Corporation Industrial. However, this item is taken against reserves and makes no impact on the vastly-improved consolidated profit. Had the provisions been passed through the profit and loss account, as the Bank of Spain had originally insisted, the group's profits would have been reduced to FF160bn.

The presentation indicated that the Bank of Spain had retreated from its position. It said yesterday norms for the financial sector, which reflect changed rulings introduced this year by the economy min-

istry and which allow Banesto's provisions to bypass the profit and loss account, would be published later this week.

Mr Conde announced profit of FF174.5bn (US\$63m) for the bank's financial group in 1990, a 56 per cent increase on the previous year. Banesto, the parent bank, raised its profits by 10.4 per cent to FF33bn and will be repeating last year's dividend of FF200 per share.

The financial group's balance sheet includes a FF25bn item that is noted as a "harmonisation adjustment" to account for share price losses in its conglomerate, the Corporation Industrial. However, this item is taken against reserves and makes no impact on the vastly-improved consolidated profit. Had the provisions been passed through the profit and loss account, as the Bank of Spain had originally insisted, the group's profits would have been reduced to FF160bn.

The presentation indicated that the Bank of Spain had retreated from its position. It said yesterday norms for the financial sector, which reflect changed rulings introduced this year by the economy min-

istry and which allow Banesto's provisions to bypass the profit and loss account, would be published later this week.

Mr Conde announced profit of FF174.5bn (US\$63m) for the bank's financial group in 1990, a 56 per cent increase on the previous year. Banesto, the parent bank, raised its profits by 10.4 per cent to FF33bn and will be repeating last year's dividend of FF200 per share.

The financial group's balance sheet includes a FF25bn item that is noted as a "harmonisation adjustment" to account for share price losses in its conglomerate, the Corporation Industrial. However, this item is taken against reserves and makes no impact on the vastly-improved consolidated profit. Had the provisions been passed through the profit and loss account, as the Bank of Spain had originally insisted, the group's profits would have been reduced to FF160bn.

The presentation indicated that the Bank of Spain had retreated from its position. It said yesterday norms for the financial sector, which reflect changed rulings introduced this year by the economy min-

istry and which allow Banesto's provisions to bypass the profit and loss account, would be published later this week.

Mr Conde announced profit of FF174.5bn (US\$63m) for the bank's financial group in 1990, a 56 per cent increase on the previous year. Banesto, the parent bank, raised its profits by 10.4 per cent to FF33bn and will be repeating last year's dividend of FF200 per share.

The financial group's balance sheet includes a FF25bn item that is noted as a "harmonisation adjustment" to account for share price losses in its conglomerate, the Corporation Industrial. However, this item is taken against reserves and makes no impact on the vastly-improved consolidated profit. Had the provisions been passed through the profit and loss account, as the Bank of Spain had originally insisted, the group's profits would have been reduced to FF160bn.

The presentation indicated that the Bank of Spain had retreated from its position. It said yesterday norms for the financial sector, which reflect changed rulings introduced this year by the economy min-

istry and which allow Banesto's provisions to bypass the profit and loss account, would be published later this week.

Mr Conde announced profit of FF174.5bn (US\$63m) for the bank's financial group in 1990, a 56 per cent increase on the previous year. Banesto, the parent bank, raised its profits by 10.4 per cent to FF33bn and will be repeating last year's dividend of FF200 per share.

The financial group's balance sheet includes a FF25bn item that is noted as a "harmonisation adjustment" to account for share price losses in its conglomerate, the Corporation Industrial. However, this item is taken against reserves and makes no impact on the vastly-improved consolidated profit. Had the provisions been passed through the profit and loss account, as the Bank of Spain had originally insisted, the group's profits would have been reduced to FF160bn.

The presentation indicated that the Bank of Spain had retreated from its position. It said yesterday norms for the financial sector, which reflect changed rulings introduced this year by the economy min-

istry and which allow Banesto's provisions to bypass the profit and loss account, would be published later this week.

Mr Conde announced profit of FF174.5bn (US\$63m) for the bank's financial group in 1990, a 56 per cent increase on the previous year. Banesto, the parent bank, raised its profits by 10.4 per cent to FF33bn and will be repeating last year's dividend of FF200 per share.

The financial group's balance sheet includes a FF25bn item that is noted as a "harmonisation adjustment" to account for share price losses in its conglomerate, the Corporation Industrial. However, this item is taken against reserves and makes no impact on the vastly-improved consolidated profit. Had the provisions been passed through the profit and loss account, as the Bank of Spain had originally insisted, the group's profits would have been reduced to FF160bn.

The presentation indicated that the Bank of Spain had retreated from its position. It said yesterday norms for the financial sector, which reflect changed rulings introduced this year by the economy min-

istry and which allow Banesto's provisions to bypass the profit and loss account, would be published later this week.

Mr Conde announced profit of FF174.5bn (US\$63m) for the bank's financial group in 1990, a 56 per cent increase on the previous year. Banesto, the parent bank, raised its profits by 10.4 per cent to FF33bn and will be repeating last year's dividend of FF200 per share.

The financial group's balance sheet includes a FF25bn item that is noted as a "harmonisation adjustment" to account for share price losses in its conglomerate, the Corporation Industrial. However, this item is taken against reserves and makes no impact on the vastly-improved consolidated profit. Had the provisions been passed through the profit and loss account, as the Bank of Spain had originally insisted, the group's profits would have been reduced to FF160bn.

The presentation indicated that the Bank of Spain had retreated from its position. It said yesterday norms for the financial sector, which reflect changed rulings introduced this year by the economy min-

istry and which allow Banesto's provisions to bypass the profit and loss account, would be published later this week.

Mr Conde announced profit of FF174.5bn (US\$63m) for the bank's financial group in 1990, a 56 per cent increase on the previous year. Banesto, the parent bank, raised its profits by 10.4 per cent to FF33bn and will be repeating last year's dividend of FF200 per share.

The financial group's balance sheet includes a FF25bn item that is noted as a "harmonisation adjustment" to account for share price losses in its conglomerate, the Corporation Industrial. However, this item is taken against reserves and makes no impact on the vastly-improved consolidated profit. Had the provisions been passed through the profit and loss account, as the Bank of Spain had originally insisted, the group's profits would have been reduced to FF160bn.

The presentation indicated that the Bank of Spain had retreated from its position. It said yesterday norms for the financial sector, which reflect changed rulings introduced this year by the economy min-

istry and which allow Banesto's provisions to bypass the profit and loss account, would be published later this week.

Mr Conde announced profit of FF174.5bn (US\$63m) for the bank's financial group in 1990, a 56 per cent increase on the previous year. Banesto, the parent bank, raised its profits by 10.4 per cent to FF33bn and will be repeating last year's dividend of FF200 per share.

The financial group's balance sheet includes a FF25bn item that is noted as a "harmonisation adjustment" to account for share price losses in its conglomerate, the Corporation Industrial. However, this item is taken against reserves and makes no impact on the vastly-improved consolidated profit. Had the provisions been passed through the profit and loss account, as the Bank of Spain had originally insisted, the group's profits would have

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Rate cut does little to ease anxiety

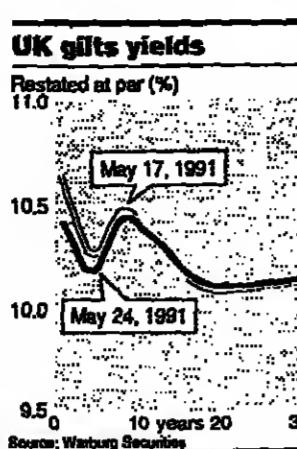
THE GILTS market will be spared little agonising over the economic recovery by the much-expected cut in the bank base rate on Friday.

On the funding front, the Bank of England's announcement last week of a gilt auction of £1bn and £2bn medium-dated stock next month merely relieved anxiety that the funding programme was running out of steam.

For a change, the run up to the interest rate cut was fully consistent with money market activities. Two weeks ago last Thursday it went to the discount houses for 14 days, a week ago for seven days and last Thursday it lent overnight to the money market, igniting speculation of a cut for the following day.

And then came the sixth base rate cut since Britain became a full member of the European exchange rate mechanism. Without it, a revival in investment and consumer spending would have slipped further away. However, the cut, which took the base rate to 11.5 per cent from 12 per cent, has done very little to dispel anxiety that a recovery is imminent or will be strong.

In the gilt market, prices fell over a half a point at the long end, but this was largely a corrective movement after demand had driven up prices on Thursday. This followed the expiry of options on the June Life future, which put long gilts under considerable buy-



by comparing the bank base rate either with core retail prices (inflation or producer prices) in the recession of 1980-1981 were zero. The squeeze was imposed by sterilising 27 per cent appreciation on its trade-weighted index between the end of 1978 and early 1981.

In this recession, real base rates are 5.1 per cent (taking inflation measured by the annual rate of producer output prices in April), in what Salomon describes as "ferociously tight monetary conditions". There are growing worries that the high levels of debt and interest rates will force companies into further cuts, which will undermine other sectors of the economy.

The unpredictable behaviour of the UK consumer could also delay the recovery. Last week's retail sales figures, though showing an erratic 3.7 per cent drop in March volumes, revealed that the high street remains very far from buoyant and confirmed survey evidence earlier in the week.

The monetary aggregates painted the same depressed picture, with British banknotes in circulation rising by just an annual 1.2 per cent in the week to May 22, and the monthly change in M4 lending up 23.4bn in April after 24.3bn in January, which comes at the start of the quarter and is also an interest-charging month.

On these trends, the economy's long run inflation and

real growth prospects are different from the 1980s, when there was average inflation of 7 per cent and real growth averaging 2.25 per cent a year.

This makes the outlook for gilts rosy, given that EMF conditions and the recession are setting the tone for a medium-term inflation rate of 4 per cent. Growth recovery depends on the consumer and further cuts in interest rates.

For, as the Bank of England pointed out in its latest quarterly bulletin, the palpable effects of the first four cuts in the base rate to 12 per cent had yet to be seen. At the time, this was interpreted as containing a cautionary warning over the pace of further interest rate cuts, particularly as the economy approached a turning point which could reawaken inflationary pressures.

In the light of the base rate cut, the Bank's words take on a different complexion for the gilts market. If interest rate cuts are taking so long to stimulate economic activity, the prospect of a 1991 election becomes fainter and a Labour victory closer.

If the Tories are re-elected, analysts at UBS Phillips and Drew think long gilt yields will fall from 10.2 per cent to 9.7 per cent by next June. With Labour in power, they fear that long gilt yields will stick at 11 per cent, even if interest rates come down further by then.

Rachel Johnson

SWEDISH LENDING RATES

Sharp reaction to krona-Ecu alignment

SWEDISH short-term rates fell sharply last week in response to the decision to link the krona to the Ecu. But they rose slightly yesterday over 10 base points to 11.3 despite Friday's announcement that Sweden has registered a net capital inflow of almost SKr1bn as a result of the currency realignment.

Most analysts predict that the six-month rate will now stabilise within a band of 11 to 11.5 per cent during the summer. A margin between Swedish and Ecu rates of 1.5 to 2 percentage points is needed to attract capital to cover the country's current accounts deficit, estimated to reach SKr50bn (\$32bn) next year.

Short-term rates in Sweden

over the last year have been as high as 4 percentage points above the Ecu rate, a gap considered necessary to protect the krona against speculation about a devaluation and encourage investment in it. The link of the krona to the Ecu has largely removed those devaluation worries.

Investors had predicted a turbulent summer on the bond market. They expected that the approaching election in September would renew jitters about the krona's strength.

Short-term rates immediately fell as a result of Ecu base rates declining sharply by 60 base points to 11.37 per cent on six-month government paper last Monday and another 17 base points during the rest

of the week. The gap on the four-year benchmark government bond 202 also fell by 50 base points before stabilising at 10.60, returning the long-term rate to the level of late 1988.

The consensus is that short-term rates for the time being will hover above the psychological threshold of 11 per cent, more than 150 base points above the Ecu rate.

However, Mr Bengt Dennis, head of the Swedish Central Bank, has expressed worries that Swedish rates could rise once again, repeating the experiences of Norway after it linked itself to the Ecu and the UK after it joined the EMS.

One argument against that occurring in Sweden is that a

swing range of the krona to the Ecu at 1.5 per cent is narrower than the bands adopted by the Norwegian krone and the pound. However, it is possible that rates could jump in response to the September elections.

Although the non-socialists are expected to win power from the Social Democrats, they may be confronted with a fragmented parliament that could make economic policy-making difficult.

The outlook for long-term rates depends more on inflationary expectations and there is a possibility that bond rates could climb to around 10.75 per cent.

John Burton

17 base points during the rest

of the week.

of the week. The gap on the four-year benchmark government bond 202 also fell by 50 base points before stabilising at 10.60, returning the long-term rate to the level of late 1988.

The consensus is that short-term rates for the time being will hover above the psychological threshold of 11 per cent, more than 150 base points above the Ecu rate.

However, Mr Bengt Dennis, head of the Swedish Central Bank, has expressed worries that Swedish rates could rise once again, repeating the experiences of Norway after it linked itself to the Ecu and the UK after it joined the EMS.

One argument against that occurring in Sweden is that a

swing range of the krona to the Ecu at 1.5 per cent is narrower than the bands adopted by the Norwegian krone and the pound. However, it is possible that rates could jump in response to the September elections.

Although the non-socialists are expected to win power from the Social Democrats, they may be confronted with a fragmented parliament that could make economic policy-making difficult.

The outlook for long-term rates depends more on inflationary expectations and there is a possibility that bond rates could climb to around 10.75 per cent.

John Burton

17 base points during the rest

of the week.

The gap on the four-year benchmark government bond 202 also fell by 50 base points before stabilising at 10.60, returning the long-term rate to the level of late 1988.

The consensus is that short-term rates for the time being will hover above the psychological threshold of 11 per cent, more than 150 base points above the Ecu rate.

However, Mr Bengt Dennis, head of the Swedish Central Bank, has expressed worries that Swedish rates could rise once again, repeating the experiences of Norway after it linked itself to the Ecu and the UK after it joined the EMS.

One argument against that occurring in Sweden is that a

swing range of the krona to the Ecu at 1.5 per cent is narrower than the bands adopted by the Norwegian krone and the pound. However, it is possible that rates could jump in response to the September elections.

Although the non-socialists are expected to win power from the Social Democrats, they may be confronted with a fragmented parliament that could make economic policy-making difficult.

The outlook for long-term rates depends more on inflationary expectations and there is a possibility that bond rates could climb to around 10.75 per cent.

John Burton

17 base points during the rest

of the week.

The gap on the four-year benchmark government bond 202 also fell by 50 base points before stabilising at 10.60, returning the long-term rate to the level of late 1988.

The consensus is that short-term rates for the time being will hover above the psychological threshold of 11 per cent, more than 150 base points above the Ecu rate.

However, Mr Bengt Dennis, head of the Swedish Central Bank, has expressed worries that Swedish rates could rise once again, repeating the experiences of Norway after it linked itself to the Ecu and the UK after it joined the EMS.

One argument against that occurring in Sweden is that a

swing range of the krona to the Ecu at 1.5 per cent is narrower than the bands adopted by the Norwegian krone and the pound. However, it is possible that rates could jump in response to the September elections.

Although the non-socialists are expected to win power from the Social Democrats, they may be confronted with a fragmented parliament that could make economic policy-making difficult.

The outlook for long-term rates depends more on inflationary expectations and there is a possibility that bond rates could climb to around 10.75 per cent.

John Burton

17 base points during the rest

of the week.

The gap on the four-year benchmark government bond 202 also fell by 50 base points before stabilising at 10.60, returning the long-term rate to the level of late 1988.

The consensus is that short-term rates for the time being will hover above the psychological threshold of 11 per cent, more than 150 base points above the Ecu rate.

However, Mr Bengt Dennis, head of the Swedish Central Bank, has expressed worries that Swedish rates could rise once again, repeating the experiences of Norway after it linked itself to the Ecu and the UK after it joined the EMS.

One argument against that occurring in Sweden is that a

swing range of the krona to the Ecu at 1.5 per cent is narrower than the bands adopted by the Norwegian krone and the pound. However, it is possible that rates could jump in response to the September elections.

Although the non-socialists are expected to win power from the Social Democrats, they may be confronted with a fragmented parliament that could make economic policy-making difficult.

The outlook for long-term rates depends more on inflationary expectations and there is a possibility that bond rates could climb to around 10.75 per cent.

John Burton

17 base points during the rest

of the week.

The gap on the four-year benchmark government bond 202 also fell by 50 base points before stabilising at 10.60, returning the long-term rate to the level of late 1988.

The consensus is that short-term rates for the time being will hover above the psychological threshold of 11 per cent, more than 150 base points above the Ecu rate.

However, Mr Bengt Dennis, head of the Swedish Central Bank, has expressed worries that Swedish rates could rise once again, repeating the experiences of Norway after it linked itself to the Ecu and the UK after it joined the EMS.

One argument against that occurring in Sweden is that a

swing range of the krona to the Ecu at 1.5 per cent is narrower than the bands adopted by the Norwegian krone and the pound. However, it is possible that rates could jump in response to the September elections.

Although the non-socialists are expected to win power from the Social Democrats, they may be confronted with a fragmented parliament that could make economic policy-making difficult.

The outlook for long-term rates depends more on inflationary expectations and there is a possibility that bond rates could climb to around 10.75 per cent.

John Burton

17 base points during the rest

of the week.

The gap on the four-year benchmark government bond 202 also fell by 50 base points before stabilising at 10.60, returning the long-term rate to the level of late 1988.

The consensus is that short-term rates for the time being will hover above the psychological threshold of 11 per cent, more than 150 base points above the Ecu rate.

However, Mr Bengt Dennis, head of the Swedish Central Bank, has expressed worries that Swedish rates could rise once again, repeating the experiences of Norway after it linked itself to the Ecu and the UK after it joined the EMS.

One argument against that occurring in Sweden is that a

swing range of the krona to the Ecu at 1.5 per cent is narrower than the bands adopted by the Norwegian krone and the pound. However, it is possible that rates could jump in response to the September elections.

Although the non-socialists are expected to win power from the Social Democrats, they may be confronted with a fragmented parliament that could make economic policy-making difficult.

The outlook for long-term rates depends more on inflationary expectations and there is a possibility that bond rates could climb to around 10.75 per cent.

John Burton

17 base points during the rest

of the week.

The gap on the four-year benchmark government bond 202 also fell by 50 base points before stabilising at 10.60, returning the long-term rate to the level of late 1988.

The consensus is that short-term rates for the time being will hover above the psychological threshold of 11 per cent, more than 150 base points above the Ecu rate.

However, Mr Bengt Dennis, head of the Swedish Central Bank, has expressed worries that Swedish rates could rise once again, repeating the experiences of Norway after it linked itself to the Ecu and the UK after it joined the EMS.

One argument against that occurring in Sweden is that a

swing range of the krona to the Ecu at 1.5 per cent is narrower than the bands adopted by the Norwegian krone and the pound. However, it is possible that rates could jump in response to the September elections.

Although the non-socialists are expected to win power from the Social Democrats, they may be confronted with a fragmented parliament that could make economic policy-making difficult.

The outlook for long-term rates depends more on inflationary expectations and there is a possibility that bond rates could climb to around 10.75 per cent.

John Burton

17 base points during the rest

of the week.

The gap on the four-year benchmark government bond 202 also fell by 50 base points before stabilising at 10.60, returning the long-term rate to the level of late 1988.

The consensus is that short-term rates for the time being will hover above the psychological threshold of 11 per cent, more than 150 base points above the Ecu rate.

However, Mr Bengt Dennis, head of the Swedish Central Bank, has expressed worries that Swedish rates could rise once again, repeating the experiences of Norway after it linked itself to the Ecu and the UK after it joined the EMS.

One argument against that occurring in Sweden is that a

swing range of the krona to the Ecu at 1.5 per cent is narrower than the bands adopted by the Norwegian krone and the pound. However, it is possible that rates could jump in response to the September elections.

Although the non-socialists are expected to win power from the Social Democrats, they may be confronted with a fragmented parliament that could make economic policy-making difficult.

The outlook for long-term rates depends more on inflationary expectations and there is a possibility that bond rates could climb to around 10.75 per cent.

John Burton

17 base points during the rest

of the week.

The gap on the four-year benchmark government bond 202 also fell by 50 base points before stabilising at 10.60, returning the long-term rate to the level of late 1988.

recover

INTERNATIONAL LENDING

Federconsorzi puts cloud over Italians

THE uncertainty surrounding the financial status of Federconsorzi, the state-run Italian agricultural co-operative, could yet cast a pall over other Italian groups in the international banking market.

Italian borrowers have this year provided one of the few signs of activity in a fairly quiet market. The takeover of the agency by three government administrators on May 1 will, at the very least, make lending to Italian agents that much harder about credit risk.

Even before the three commissioners moved in, Federconsorzi was run by government-appointed managers and its losses had always been covered by the Italian government. Foreign banks seem to have assumed this was the equivalent of a government guarantee. They should have known that as a limited liability company, whose ownership was in the hands of the various agricultural consortia around the country, the agency was not state-owned and could theoretically go bankrupt.

The agency has two syndicated loans outstanding to foreign banks — totalling Ecu285m — out of total borrowings equivalent to about Ecu2.5bn (\$3bn). Some Ecu80m left of an Ecu200m loan signed in February 1988, at a slim interest margin of 0.2 per cent over interbank rates. Sumitomo Bank was the leading foreign bank on that transaction, while Mitsubishi Bank took the leading position (along with Banca Nazionale da Lavoro) in an Ecu200m seven-year loan signed in January last year.

EUROMARKET TURNOVER (\$m)

Primary Market	Debt	Cash	FRN	Other
ISS	1,152.0	0.0	12,113.7	
Prev	2,221.0	34.5	70.6	15,287.4
Diff	2,373.0	4.5	1,134.4	15,287.4
Prev	2,242.5	0.0	12,113.7	15,287.4
Secondary Market				
ISS	26,981.3	1,049.0	5,871.6	10,446.2
Prev	17,030.4	943.1	5,138.9	11,809.5
Other	26,255.4	0.0	33,998.9	52,479.3
Prev	25,557.1	78.4	33,221.4	52,479.3
Week to May 24, 1991				

The margin was 0.25 per cent. It is not clear what is the status of these loans, and there are hopes among foreign banks that they will be paid in full. They may learn more at a creditor meeting this week. According to one foreign bank lender, "a political decision brought the problem about, and it should be resolved by a political decision."

Although the sums are relatively small, the impact on Italy could be significant however the issue is resolved. Its state-run and state-owned agencies are heavy users of the international banking market.

Only this week, at least two deals were signed for Italian agents in financial institutions, and another launched. Some agencies are state-owned; others are not state-owned, but covered by public law which means that they cannot go bankrupt. The various *mediocredito* institutions fall into this category.

There has been insufficient credit differentiation by foreign banks of Italian borrowers. If a more sensible differentiation is made in terms of pricing, then some good will have come out of it," said one banker in Rome last week.

Confidence among international banks is growing modestly, and some banks which almost halted new international lending last year are re-emerging as cautious lenders.

However, credit decisions are usually made these days by a remote and senior credit committee. Some are still very jittery and, rightly or wrongly, may see it as appropriate to reduce their exposure to the Italian market as a whole. If, as is suggested, the Bank of Italy and the finance ministry are worried about the impact of the affair, they are probably right to be.

• The second sizeable management buy-out in a month in the UK will test the appetite of banks for such transactions. Taunton Cider is affecting a 27.5m MBO.

Samuel Montagu has underwritten the nearly £50m of senior debt and £7.5m of the higher-risk mezzanine debt, with Morgan Grenfell Development Capital taking £3m of equity. The excess will cover working capital needs.

Stephen Fidler

INTERNATIONAL BONDS

Attention switches from France to Spain and Italy

THE FOCUS of bond market activity in Europe has shifted from the centre to the periphery. Investors have embraced the idea that monetary ties with Europe will force bond yields towards those of Germany, the anchor of the European monetary system.

So far, faith in convergence has been rewarded. In the late 1980s, the pioneers of convergence-led investment strategy favoured the French government bond market. From negligible levels in 1986, overseas accounts now hold around 16 per cent of long-dated French government bonds.

The French bond market was unsettled by the arrival of new prime minister Mrs Edith Cresson, and the 10-year yield spread against the German market widened by 20 basis points to 70 basis points.

Hence attention has switched to other higher-yield markets of Europe. The Spanish and Italian bond markets have become major recipients of overseas money to the extent that the peseta and lira have been pushed to the top of the European exchange rate mechanism.

Last year the Bank of Spain forbade foreign borrowers to issue peseta-denominated securities in an attempt to relieve pressure on its currency.

Dutch bond yields have failed to fall below German yields, despite the fact that the

guilder is fixed within a 1 per cent band to the D-Mark, the Dutch inflation rate is lower, and the central bank follows the Bundesbank in monetary policy.

In addition, events of the last week provide a vivid illustration of the fact that the general principle of convergence does not rule out long periods of widening yield spreads.

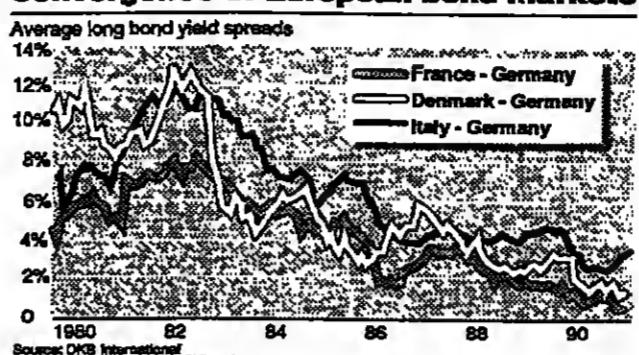
The French bond market was unsettled by the arrival of new prime minister Mrs Edith Cresson, and the 10-year yield spread against the German market widened by 20 basis points to 70 basis points.

Hence attention has switched to other higher-yield markets of Europe. The Spanish and Italian bond markets have become major recipients of overseas money to the extent that the peseta and lira have been pushed to the top of the European exchange rate mechanism.

Last year the Bank of Spain forbade foreign borrowers to issue peseta-denominated securities in an attempt to relieve pressure on its currency.

Dutch bond yields have failed to fall below German yields, despite the fact that the

Convergence of European bond markets



However for those at the forefront of convergence-led investment, even these markets are not safe. The more adventurous are allocating funds to markets as far from the ERM core as Portugal, Finland and Sweden.

Even those countries formally outside the ERM are following policies which make bond market convergence highly likely.

Sweden's decision to link its

highest yields and the greatest potential gains. Even net of withholding tax, five-year government bonds offer yields in excess of 15 per cent. A £10bn government bond auction last week met with clamorous oversubscription.

While it is not expected to join the ERM until next year, the Portuguese currency has traded within a 2 1/4 per cent band against the Ecu since the beginning of 1990.

"This is a classic convergence trade," said Mr Steve Major, bond analyst at UBS Phillips and Drew.

However, there are risks and limits to an investment strategy based on an expectation of converging bond yields.

The main risk may be political. Investors' acceptance of convergence has flowed from the prominence of European economic and monetary integration on the political agenda.

A political scheme on the progress of union would throw the whole process of bond market convergence into doubt.

For believers in convergence, Portuguese escudo bonds offer the best value — offering the whole process of bond market convergence into doubt.

Another risk is that currencies will be realigned within

the ERM, leading to a disguised devaluation of the lira, peseta or escudo.

However, investment outside the mainstream markets also appears to be part of secular trend towards diversification of investment risk across borders.

Such diversification was especially noticeable among US investors last year, although most US funds are far more focused on their domestic markets than are their European counterparts.

Figures from the US Securities Industry Association show net acquisitions of foreign securities by US investors of \$30.8bn in 1990, against \$19.1bn the previous year. Most of these funds — around \$22.4bn last year — went into fixed-income instruments.

Purchases of European securities rose by nearly 19 per cent last year. Net purchases included purchases of French securities, which rose 46 per cent over the levels of 1989, and purchases of Italian securities, which rose by 30 per cent.

Simon London

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
PT Indocem Tunggal (a)†	100	2001	10	(6 1/2-7)	100	Goldman Sachs	
Trigem Computer (b)†	30	2005	14 1/2	5 1/2	99.34	IBJ Int.	3.500
Japan Highway Public Corp	300	2001	10	8 1/2	100.90	CSFB	8.727
Le Port d'Amour†	300	1998	7	8 1/2	100.90	CSFB	8.825
Cariplo (London Branch)†	200	1995	7	8 1/2	100.90	Daichi Int.	4.000
Toyo Construction†	100	1998	5	4 1/2	100	Nomura Int.	8.820
Total Kogyo Co (b)†	100	1995	4	4 1/2	100	Nomura Int.	4.000
Council of Europe†	200	1993	2	7 1/4	100.95	SG Warburg Secs.	6.727
Nippon Chuo-Can Corp (c)†	80	1998	5	(0)	100	Nikko Secs.	
STERLING							
Bradford & Bingley (c)†	100	1995	4	(c)	100	UBS Phillips & Drew	10.556
Toyota Motor Fin (b)†	100	1994	3	11	101.075	Nomura Int.	
ECUs							
Ford Motor Credit Co.†	125	1996	5	9 1/2	101	Deutsche Bk Cap.Mkt.	8.241
Eurofime (c)†	80	1995	7 1/4	8 1/2	98	UBS Phillips & Drew	8.890
FRENCH FRANCS							
Boghe-Say (b)†	455	1998	7 1/2	7 1/4	100	Credit Lyonnaise	7.229
Credit du Nord†	300	1998	5	8 1/2	98.80	Paribas Cap.Mkt.	9.267
Compagnie Bancaire (c)†	700	1994	3	9 1/2	101 1/4	Credit Lyonnaise	9.006
AUSTRALIAN DOLLARS							
IBM Australia Credit†	100	1996	5	11	101 1/2	Hambros Bank	10.598
D-MARKS							
Indesit†	300	2001	10	8 1/4	100 1/4	WestLB	8.731
Caron Inc (c)†	600	1995	4	4	100	Deutsche Bank	4.000
Dresdner Finance BV (b)†	100	1995	4	12 1/2	(0)	Dresdner Bank	
Mitsui Co†	100	1995	4	4	100	Nomura Europe GmbH	4.000
NEW ZEALAND DOLLARS							
State Bk of NSW†	50	1997	8	10	101.30	Hambros Bank	9.704

1) Including Rasselstein, EBG Gesellschaft für elektromagnetische Werkstoffe, Stahlwerke Bochum, Otto Wolff AG, Eisen- und Hüttenwerke, Otto Wolff Flachstahl.
2) Dolomite pro rata, consolidated group Otto Wolff (as of January 1, 1990), Rasselstein, EBG Gesellschaft für elektromagnetische Werkstoffe, Stahlwerke Bochum.
3) Dolomite pro rata.

Thyssen informs:

On Stable Ground

Interim Report on the First Six Months of 1990/91

from October 1, 1990 to March 31, 1991*

Thyssen Worldwide	first six months:	1989/90	1990/91
External sales	DM billion	16.8	17.7
Pretax profit	DM million	705	470
Net income	DM million	363	227
Capital expenditures	DM million	1,860	1,230
Order intake	DM billion	18.6	19.1
Work force on March 31		146,828	147,801

<

EUROPE

Chemicals in the lead as Frankfurt hits new highs

Bourses were affected by holidays in the UK and the US yesterday, although in Frankfurt, at least, it was said that German on-shore of foreign banks and brokers were still active on the day, writes *Our Markets Staff*.

FRANKFURT advanced to further 1991 highs, with the FAZ index 4.76 up to 704.88 in mid-session and the DAX closing 9.52 better at 1,081.45. Volume fell from DM9.5bn to DM8.5bn.

Mr Klaus Stabel of Berenberg Bank in Frankfurt observed that the DAX had been led up by the "Big Three" chemical companies, which are heavily weighted in the index, and particularly by Hoechst, which rose DM9.60 to DM277.40. This was partly owing to stock rotation, he said, and partly to German institutions buying for the high and imminent chemical company dividends.

Sector rotation also brought buying for the three big utility groups, Veba, Ving and RWE. Veba led with a DM8.80 rise to DM372.50. Banks were quietly firm after last week's gains, but steels were on the plus side. Thyssen fell DM4 to DM224.50 as it reported a first-half setback and Mannesmann, which said it expected lower 1991 earnings, falling 60 pence to DM287.20.

MILAN was lifted by weekend reports of a big deal in the insurance sector, the story being that La Fondiaria was about to acquire Latina from Mr Carlo de Benedetti's stable. La Fondiaria closed Ls70, or 2 per cent, higher at Ls44,290 and Latina, Italy's 12th biggest insurer, gained Ls40 or 3.8 per cent to Ls12,080.

Other insurers rose in sympathy, Ras closing Ls10 higher at Ls20,400. Mr Fabio Ferrando, of brokers Albertini in Milan, said that the sector accounted for roughly 21 per cent of the Comit index, which rose 2.86 or 0.5 per cent to 592.51.

STOCKHOLM continued to benefit from the recent krona/Ecu link and last week's approval of the Tetrapak bid for Alfa-Laval. The Affärsvärden General index rose for the third successive session, gaining 1.20 or 1.1 per cent to 1,098.7 in busy turnover of SKr175m, down from SKr185m.

Active shares included Ericsson's free Eas, which added SKr6 or 3 per cent to SKr190, and Volvo's restricted Eas, up SKr8 to SKr812.

OSLO was led higher by shipping and industrial stocks. News of the central bank's cut in the overnight lending rate came after the market had closed. The all-share index rose 4.44 to Skr3.36 as turnover eased to Skr12.5m from Skr14.5m.

The industry index, which includes oil stocks, added 7.10 to 100.22.

THE CLOSURE of Wall Street brought more Monday Day trading quiet in Toronto, where share prices opened slightly lower. The composite index fell 2.2 to 8,435.30 on light volume of 1.6m shares. Advances led declines by 69 to 80 with 120 unchanged.

"Nothing's happening, with the US closed," said one dealer.

Traders said that the Toronto market was likely to continue to consolidate in a narrow range with minimal activity, although a share offering by Federal Industries inspired some interest.

MADRID slipped in light trading, with the general index down 0.94 to 233.32. Turnover shrank to about Ptas from Ptas1.2m.

A few stocks attracted interest, with Encros, the chemical group, rising Ptas6 or 6.8 per cent to Ptas1.05 and Urbita, the construction company, picking up Ptas5 or 3.9 per cent to Ptas1.75.

HELSINKI finished below its day's high in quiet trading. The Hes index closed 3.8 up at 1,031.7 in turnover of FM19.7m, down from FM28.5m.

ISTANBUL declined as a two-day public offering of shares in two state-run petroleum concerns ended cash out of the stock market. The 75-share index lost 10.17 or 2.7 per cent to 3,840.13 in active trading worth TL173bn, up from TL167.5bn. ATHENS was closed for a holiday.

• The Eurotrack 100 index was not calculated yesterday because of a holiday in the UK.

minority stake to an unnamed buyer, although the Rich and Buffet families would retain control. One dealer pointed out that the move had been on the cards for a long time.

Pinault, the diversified timber company, fell FFr16.10 to FFr21.50 after confirming that it was taking a controlling stake in Conforama, the furniture retailer, which remained suspended, as did its parent, Bon Marché.

PARIS improved on last Friday's 1.99% highs as the 49.250-265 index rose 4.9 to 54.55. Buoyed by interest focused on banks and insurers, seen as gaining most from lower interest rates.

The insurance sector was led by Winterthur, recovering some of the losses it sustained on lower profits last week as the bears added SFr120 to SFr140. In banks, Union Bank bears put on SFr40 to SFr70.

MADRID slipped in light trading, with the general index down 0.94 to 233.32. Turnover shrank to about Ptas from Ptas1.2m.

A few stocks attracted interest, with Encros, the chemical group, rising Ptas6 or 6.8 per cent to Ptas1.05 and Urbita, the construction company, picking up Ptas5 or 3.9 per cent to Ptas1.75.

HELSINKI finished below its day's high in quiet trading. The Hes index closed 3.8 up at 1,031.7 in turnover of FM19.7m, down from FM28.5m.

ISTANBUL declined as a two-day public offering of shares in two state-run petroleum concerns ended cash out of the stock market. The 75-share index lost 10.17 or 2.7 per cent to 3,840.13 in active trading worth TL173bn, up from TL167.5bn. ATHENS was closed for a holiday.

• The Eurotrack 100 index was not calculated yesterday because of a holiday in the UK.

SOUTH AFRICA

THE ABSENCE of US and UK investors kept trading dull in Johannesburg yesterday. The all-gold index slipped 1.1 to 1,178, while the industrial index added 4 to 3,586.

The gold sector, Freegold, lost 25 cents to R23.50.

In THE past 12 months, when the global property boom has turned into a distant memory, continental markets have provided a vestige of stability.

In London, the FT-Actuaries UK property shares index has fallen 11 per cent over the past year. In contrast to Britain, the US and Australia, however, continental European markets have cooled, rather than collapsed. Although affected by higher interest rates, slowing economic growth and a slackening of international investment, they have mostly escaped from the problem of over-supply.

Mr David Harris of brokers Corniche International argues that property companies on the Continent have benefited from restrictive planning policies. Moreover, bank lending has tended to be more prudent than in the English-speaking world.

None the less, the contrasts between continental Europe's property markets tend to be more striking than their similarities. "Geographically the countries are close together, however, their property markets are at different stages of the cycle," says a recent report from Paribas Capital Markets Group, France, Germany and to 781.65, with Sags Petroleum the free share up NKr5 at NKr114.

AMSTERDAM enjoyed a better day than expected in the absence of the US and UK, with the CBS Tendency index gaining 0.3 to close at the day's high of 94.1. Turnover was light, however, falling to 1,040m from F1465m.

Share prices rose across the board, although Royal Dutch - a favourite of British and American investors - lagged behind the market, rising only 20 cents to F1155.80.

One analyst said that, now the reporting season was more or less over, the equity market would be dependent on the domestic bond market, which rose yesterday, and on the performance of Wall Street.

PARIS was very quiet, with only FFr1.1bn worth of shares traded by the close, down from FFr1.25bn. The CAC 40 index gained 0.31 to 1,801.52.

One of the few big movers was Bic, the razor, lighter and pen company, which gained FFr26 or 3.8 per cent to FFr745. The company said that it was in preliminary talks to sell its

minority stake to an unnamed buyer, although the Rich and Buffet families would retain control. One dealer pointed out that the move had been on the cards for a long time.

Pinault, the diversified timber company, fell FFr16.10 to FFr21.50 after confirming that it was taking a controlling stake in Conforama, the furniture retailer, which remained suspended, as did its parent, Bon Marché.

PARIS improved on last Friday's 1.99% highs as the 49.250-265 index rose 4.9 to 54.55. Buoyed by interest focused on banks and insurers, seen as gaining most from lower interest rates.

The insurance sector was led by Winterthur, recovering some of the losses it sustained on lower profits last week as the bears added SFr120 to SFr140. In banks, Union Bank bears put on SFr40 to SFr70.

MADRID slipped in light trading, with the general index down 0.94 to 233.32. Turnover shrank to about Ptas from Ptas1.2m.

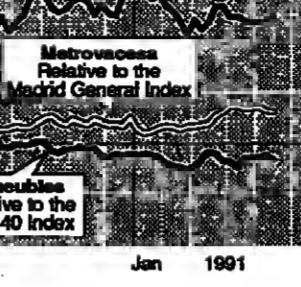
A few stocks attracted interest, with Encros, the chemical group, rising Ptas6 or 6.8 per cent to Ptas1.05 and Urbita, the construction company, picking up Ptas5 or 3.9 per cent to Ptas1.75.

HELSINKI finished below its day's high in quiet trading. The Hes index closed 3.8 up at 1,031.7 in turnover of FM19.7m, down from FM28.5m.

ISTANBUL declined as a two-day public offering of shares in two state-run petroleum concerns ended cash out of the stock market. The 75-share index lost 10.17 or 2.7 per cent to 3,840.13 in active trading worth TL173bn, up from TL167.5bn. ATHENS was closed for a holiday.

• The Eurotrack 100 index was not calculated yesterday because of a holiday in the UK.

Share prices relative to local indices (rebased)



Jan 1990 Jan 1991

ing discounts to net assets. The increase in the equity capitalisation of listed property stocks is far below the 75 per cent rise of property prices in Paris between 1987 and 1990.

Dutch property shares are also in a period of readjustment, with widening discounts to assets. This follows the decision by Rodanze, VIB and Vestel to change their policy of buying back shares at their net asset value in the autumn of last year. During the 1990, most of the larger companies expanded in the other countries, mainly the US and the UK. The downturns in those markets made the policy

account for just 30 per cent of its portfolio. The scope for converting more property to the new structure of leases gives it long-term potential for further income growth.

The best performance of all large European stocks has been Germany's Concordia Chemie, which is its pure listed property stock. Its real estate portfolio, which had a market value of about DM427m (\$250m) at the end of 1990, is half commercial property, 40 per cent residential and 10 per cent undeveloped land.

Last year there was a surge of investment in German property, fuelled by re-unification, the changes in eastern Europe and the expectations of a post-1992 Europe. The result of this interest, aided by a lack of liquidity, was an 83 per cent rise in Concordia Chemie's share price in June last year.

While the diversity of property stocks in continental Europe make it hard to generalise about investors' intentions, there seem to be conflicting pressures on the market. On the one hand, property companies expect to benefit from cuts in interest rates; on the other, improvements in the property market tend to lag behind the upturn in the economic cycle.

Germany stars in Europe's property sector

Most continental shares have shown a measure of stability, writes Vanessa Houlder

In THE past 12 months, when the global property boom has turned into a distant memory, continental markets have provided a vestige of stability.

In London, the FT-Actuaries UK property shares index has fallen 11 per cent over the past year. In contrast to Britain, the US and Australia, however, continental European markets have cooled, rather than collapsed. Although affected by higher interest rates, slowing economic growth and a slackening of international investment, they have mostly escaped from the problem of over-supply.

Mr David Harris of brokers Corniche International argues that property companies on the Continent have benefited from restrictive planning policies. Moreover, bank lending has tended to be more prudent than in the English-speaking world.

None the less, the contrasts between continental Europe's property markets tend to be more striking than their similarities. "Geographically the countries are close together, however, their property markets are at different stages of the cycle," says a recent report from Paribas Capital Markets Group, France, Germany and

Spain are relatively near to their peaks, but in all cases, signs of weakness are appearing in what have become over-heated markets."

Further contrasts arise from different legal and tax practices, which dictate sharp variations in the nature of property companies in different countries. Although these practices show few signs of being harmonised, there have been some far-reaching changes in recent years.

In France, for instance, much of the sector is going through an upheaval thanks to a decision by the National Assembly last November to

end the tax-exempt status of property companies. This change, which will be spread over three years, raises questions about the role of companies and the prospects for their dividend yields.

These changes have depressed the performance of the companies affected (which account for the bulk of the property stocks on the Paris bourse). But even before the tax changes, property stocks such as Immeubles had performed slightly as continuing high real interest rates had diminished their high yield

attraction.

The result has been widen-

ASIA PACIFIC

Japan slips in thin trade as Hong Kong drops 3.5%

Tokyo

A LACK of fresh news kept investors away yesterday. Share prices lost ground towards the close, after moving in a narrow range throughout the day, writes Enrico Terazono in Tokyo.

The Nikkei average ended 18.26 down at 25,455.88, after hitting a high of 25,683.13 and a low of 25,363.45. Volume fell to 200m shares from 370m, in spite of sales campaigns by the Japanese brokers, and losses outnumbered gains by 676 to 244, with 188 issues unchanged. The Topix index fell 1.10 to 1,933.57.

The over-the-counter (OTC) index dropped 10.34 or 3.3 per cent to 3,262.78, hit by poor company results. Traders said that investors using OTC stocks as collateral for margin

trading were under pressure to cash in their holdings.

Mr Yoichi Kamina at SG Warburg Securities said that, while most institutions felt that the level was right for buying, nothing would happen until there was positive news on short-term interest rates.

Some of the stocks actively traded last week after recommendations by Japanese brokers lost ground on depressed earnings announcements. Nissin Steel, the most active issue yesterday, fell Y49 to Y723 on a forecast of a double-digit fall in pre-tax profits. Selling spread to other recommended stocks: Japan Steel Works lost Y17 to Y810 and Hitachi Zosen Y2 to Y670.

Yokogawa Bridge Works, the leading bridge maker, remained untraded owing to an absence of buyers, after a downward revision of its pre-

tax profits forecast.

NTT, the bellwether stock, fell below its support level of Y830,000, closing at Y827,000, on concern over heavy margin positions.

to 28,073.00 on volume of 16.3m shares, down from 32m. Shimano, the bicycles parts maker, fell Y260 to Y324 on concern over heavy margin positions.

Roundup

MOST PACIFIC Rim markets closed yesterday, Hong Kong leading the downturn with a 3.5 per cent fall.

HONG KONG nosedived after the percentage point rise in domestic interest rates late last Friday, and amid growing talk that the government might achieve the new airport project after the UK and China again failed to reach agreement last week.

The Hang Seng index slid 128.46 to 3,575.52 as turnover climbed from HK\$1.2bn to HK\$1.7bn and, yet again, property shares registered the

sharpest declines.

TAIWAN nearly matched Hong Kong over two days as the weighted index fell 53.47 or 1 per cent to 5,901.45, in turn-over down from T\$456m to T\$445m, after a 2.1 per cent fall on Saturday.

The central bank said again that it would not cut interest rates for the time being.

MANILA's composite index fell 14.83 or 1.2 per cent to 1,179.46, depressed by profit-taking and liquidation of shareholdings in favour of the 1.5bn peso new share offering from Ayala Land, which began yesterday after a week's delay.

KUALA LUMPUR kept its foreign fans, as the composite index hit a record 634.27 in the morning. Even after profit-taking, it closed 4.49 up at a 191 high of 630.30, up 7.9 per cent since last Wednesday.

LLOYDS INTERNATIONAL PORTFOLIO Stav Luxembourg, 1 rue Schiller E.C. Luxembourg B 7.635

NOTICE

Notice is hereby given to the shareholders that the Annual General Meeting of the Company will be held at the offices of E.D. & F. Man AG, 17, Wilerstrasse, Wollerau, Switzerland, at 11.00 a.m. on Friday 21 June 1991, for the following purposes:

<p

WORLD STOCK MARKETS

Hand - Delivery now available in

REST OF POLAND

For subscription details and more information contact Nina Kowaleska in Warsaw.

in Warsaw
Phone 48 - 22 - 489787

POWER GENERATION EQUIPMENT

The FT proposes to publish this survey on June 12th 1991. The FT is read by 54% of Chief Executives in Europe's top 2000 companies. If you want to reach this important audience, call Philip Dodson on 071 873 3389 or fax 071 873 3062.

Data source: *Chief Executives in Europe 1990*

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 825-2125.

Unit	Price	Yield	Div.	Ref.	Unit	Price	Yield	Div.	Ref.	Unit	Price	Yield	Div.	Ref.	Unit	Price	Yield	Div.	Ref.	Unit	Price	Yield	Div.	Ref.	
H & P Life Assurance Ltd	100.00	100.00	0.00	002240025	Royal Heritage Life Assurance Ltd - Contd	100.00	100.00	0.00	002240025	Shield Assurance Ltd	100.00	100.00	0.00	002240025	Swiss Life (HKO) PLC	100.00	100.00	0.00	002240025	GMT Insurance Co Ltd - Contd	100.00	100.00	0.00	002240025	
Life Managed Fund	100.00	100.00	0.00	002240025	Portuguese Life Assurance Ltd	100.00	100.00	0.00	002240025	Gold Phoenix Fund	100.00	100.00	0.00	002240025	ECU Partners Plc	100.00	100.00	0.00	002240025	Holdings Fd Mgmt (CD) Ltd	100.00	100.00	0.00	002240025	
Life Managed Fund P.L.	100.00	100.00	0.00	002240025	Portuguese Life Assurance Ltd	100.00	100.00	0.00	002240025	Gold Phoenix Fund	100.00	100.00	0.00	002240025	ECU Partners Plc	100.00	100.00	0.00	002240025	FTS Fd Mgmt (CD) Ltd	100.00	100.00	0.00	002240025	
Position Options Fund	100.00	100.00	0.00	002240025	Portuguese Life Assurance Ltd	100.00	100.00	0.00	002240025	Gold Phoenix Fund	100.00	100.00	0.00	002240025	ECU Partners Plc	100.00	100.00	0.00	002240025	FTS Fd Mgmt (CD) Ltd	100.00	100.00	0.00	002240025	
National Financial Management Corp PLC	100.00	100.00	0.00	002240025	Portuguese Life Assurance Ltd	100.00	100.00	0.00	002240025	Gold Phoenix Fund	100.00	100.00	0.00	002240025	ECU Partners Plc	100.00	100.00	0.00	002240025	FTS Fd Mgmt (CD) Ltd	100.00	100.00	0.00	002240025	
Managed Consol. Fund	100.00	100.00	0.00	002240025	Portuguese Life Assurance Ltd	100.00	100.00	0.00	002240025	Gold Phoenix Fund	100.00	100.00	0.00	002240025	ECU Partners Plc	100.00	100.00	0.00	002240025	FTS Fd Mgmt (CD) Ltd	100.00	100.00	0.00	002240025	
Managed Options Fund	100.00	100.00	0.00	002240025	Portuguese Life Assurance Ltd	100.00	100.00	0.00	002240025	Gold Phoenix Fund	100.00	100.00	0.00	002240025	ECU Partners Plc	100.00	100.00	0.00	002240025	FTS Fd Mgmt (CD) Ltd	100.00	100.00	0.00	002240025	
Managed Options Fund	100.00	100.00	0.00	002240025	Portuguese Life Assurance Ltd	100.00	100.00	0.00	002240025	Gold Phoenix Fund	100.00	100.00	0.00	002240025	ECU Partners Plc	100.00	100.00	0.00	002240025	FTS Fd Mgmt (CD) Ltd	100.00	100.00	0.00	002240025	
National Mutual Life	100.00	100.00	0.00	002240025	Portuguese Life Assurance Ltd	100.00	100.00	0.00	002240025	Gold Phoenix Fund	100.00	100.00	0.00	002240025	ECU Partners Plc	100.00	100.00	0.00	002240025	FTS Fd Mgmt (CD) Ltd	100.00	100.00	0.00	002240025	
The Priority Plan, Mutuals, 100% 2000	0042242422	100.00	100.00	0.00	002240025	Portuguese Life Assurance Ltd	100.00	100.00	0.00	002240025	Gold Phoenix Fund	100.00	100.00	0.00	002240025	ECU Partners Plc	100.00	100.00	0.00	002240025	FTS Fd Mgmt (CD) Ltd	100.00	100.00	0.00	002240025
Managed Consol. Fund	100.00	100.00	0.00	002240025	Portuguese Life Assurance Ltd	100.00	100.00	0.00	002240025	Gold Phoenix Fund	100.00	100.00	0.00	002240025	ECU Partners Plc	100.00	100.00	0.00	002240025	FTS Fd Mgmt (CD) Ltd	100.00	100.00	0.00	002240025	
Managed Options Fund	100.00	100.00	0.00	002240025	Portuguese Life Assurance Ltd	100.00	100.00	0.00	002240025	Gold Phoenix Fund	100.00	100.00	0.00	002240025	ECU Partners Plc	100.00	100.00	0.00	002240025	FTS Fd Mgmt (CD) Ltd	100.00	100.00	0.00	002240025	
National Provident Institution	100.00	100.00	0.00	002240025	Portuguese Life Assurance Ltd	100.00	100.00	0.00	002240025	Gold Phoenix Fund	100.00	100.00	0.00	002240025	ECU Partners Plc	100.00	100.00	0.00	002240025	FTS Fd Mgmt (CD) Ltd	100.00	100.00	0.00	002240025	
49 Grosvenor St, London SW1W 9HN	002240025	100.00	100.00	0.00	002240025	Portuguese Life Assurance Ltd	100.00	100.00	0.00	002240025	Gold Phoenix Fund	100.00	100.00	0.00	002240025	ECU Partners Plc	100.00	100.00	0.00	002240025	FTS Fd Mgmt (CD) Ltd	100.00	100.00	0.00	002240025
UK Equity	100.00	100.00	0.00	002240025	Portuguese Life Assurance Ltd	100.00	100.00	0.00	002240025	Gold Phoenix Fund	100.00	100.00	0.00	002240025	ECU Partners Plc	100.00	100.00	0.00	002240025	FTS Fd Mgmt (CD) Ltd	100.00	100.00	0.00	002240025	
Fixed Interest	100.00	100.00	0.00	002240025	Portuguese Life Assurance Ltd	100.00	100.00	0.00	002240025	Gold Phoenix Fund	100.00	100.00	0.00	002240025	ECU Partners Plc	100.00	100.00	0.00	002240025	FTS Fd Mgmt (CD) Ltd	100.00	100.00	0.00	002240025	
Dividend Fund	100.00	100.00	0.00	002240025	Portuguese Life Assurance Ltd	100.00	100.00	0.00	002240025	Gold Phoenix Fund	100.00	100.00	0.00	002240025	ECU Partners Plc	100.00	100.00	0.00	002240025	FTS Fd Mgmt (CD) Ltd	100.00	100.00	0.00	002240025	
Dividend Fund	100.00	100.00	0.00	002240025	Portuguese Life Assurance Ltd	100.00	100.00	0.00	002240025	Gold Phoenix Fund	100.00	100.00	0.00	002240025	ECU Partners Plc	100.00	100.00	0.00	002240025	FTS Fd Mgmt (CD) Ltd	100.00	100.00	0.00	002240025	
Dividend Fund	100.00	100.00	0.00	002240025	Portuguese Life Assurance Ltd	100.00	100.00	0.00	002240025	Gold Phoenix Fund	100.00	100.00	0.00	002240025	ECU Partners Plc	100.00	100.00	0.00	002240025	FTS Fd Mgmt (CD) Ltd	100.00	100.00	0.00	002240025	
Dividend Fund	100.00	100.00	0.00	002240025	Portuguese Life Assurance Ltd	100.00	100.00	0.00	002240025	Gold Phoenix Fund	100.00	100.00	0.00	002240025	ECU Partners Plc	100.00	100.00	0.00	002240025	FTS Fd Mgmt (CD) Ltd	100.00	100.00	0.00	002240025	
Dividend Fund	100.00	100.00	0.00	002240025	Portuguese Life Assurance Ltd	100.00	100.00	0.00	002240025	Gold Phoenix Fund	100.00	100.00	0.00	002240025	ECU Partners Plc	100.00	100.00	0.00	002240025	FTS Fd Mgmt (CD) Ltd	100.00	100.00	0.00	002240025	
Dividend Fund	100.00	100.00	0.00	002240025	Portuguese Life Assurance Ltd	100.00	100.00	0.00	002240025	Gold Phoenix Fund	100.00	100.00	0.00	002240025	ECU Partners Plc	100.00	100.00	0.00	002240025	FTS Fd Mgmt (CD) Ltd	100.00	100.00	0.00	002240025	
Dividend Fund	100.00	100.00	0.00	002240025	Portuguese Life Assurance Ltd	100.00	100.00	0.00	002240025	Gold Phoenix Fund	100.00	100.00	0.00	002240025	ECU Partners Plc	100.00	100.00	0.00	002240025	FTS Fd Mgmt (CD) Ltd	100.00	100.00	0.00	002240025	
Dividend Fund	100.00	100.00	0.00	002240025	Portuguese Life Assurance Ltd	100.00	100.00	0.00	002240025	Gold Phoenix Fund	100.00	100.00	0.00	002240025	ECU Partners Plc	100.00	100.00	0.00	002240025	FTS Fd Mgmt (CD) Ltd	100.00	100.00	0.00	002240025	
Dividend Fund	100.00	100.00	0.00	002240025	Portuguese Life Assurance Ltd	100.00	100.00	0.00	002240025	Gold Phoenix Fund	100.00	100.00	0.00	002240025	ECU Partners Plc	100.00	100.00	0.00	002240025	FTS Fd Mgmt (CD) Ltd</td					

FT MANAGED FUNDS SERVICE

- Current Unit Trust prices are available on FT Cityline. Calls charged at 40p per minute, 10p per call and 34p off peak, inc VAT. To obtain your free Unit Trusts Booklet call 0171 927 1111.

4:00 pm prices May 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

AUTOMATIC IDENTIFICATION

The FT proposes to publish this survey on

publish this survey on
June 17 1991.
The Financial Times
unsurpassed reputation
for producing topical
authoritative editorial,
ensures that this survey
will be an essential
point of reference for all
businessmen interested
in fast and accurate
automatic data capture.
If you want to reach
this important audience
, call Jessica Perry on
071 873 4611 or fax 071
873 2600.

FT SURVEYS

NYSE COMPOSITE PRICES

1981												1982																																	
High Low Stock			Div. Yld. E 1000, High			Low Divid. Close			Close Prev.			High Low Stock			Div. Yld. E 1000, High			Low Divid. Close			Close Prev.																								
Continued from previous page																																													
23 27 Peacock																																													
52 53 RadiantRens	0.86 0.03	101267	257	204	207	101267	257	204	207	204	207	101267	257	204	207	101267	257	204	207	101267	257	204	207	101267																					
45 46 Reliance	1.24 0.03	113	331	301	304	113	331	301	304	301	304	113	331	301	304	113	331	301	304	113	331	301	304	113																					
16 62 RollinsEnv	0.85 0.01	217954	245	208	212	217954	245	208	212	208	212	217954	245	208	212	217954	245	208	212	217954	245	208	212	217954																					
11 15 RollinsTr	0.20 0.02	11	110	114	111	110	110	114	111	110	114	110	110	114	111	110	110	114	111	110	110	114	111	110																					
11 14 Rowan Cos	151	893	914	914	914	893	914	914	914	914	914	893	914	914	914	893	914	914	914	893	914	914	914	893																					
24 24 RoyStkScot	1.20 0.05	20	204	204	204	20	204	204	204	204	204	20	204	204	204	20	204	204	204	20	204	204	204	20																					
41 73 Ryditch x	4.23 0.03	103379	617	561	561	617	561	561	561	561	561	617	561	561	561	617	561	561	561	617	561	561	561	617																					
11 72 Ryder Vsl	56	104	104	104	104	56	104	104	104	104	104	56	104	104	104	56	104	104	104	56	104	104	104	56																					
24 47 Rykerson	0.80 0.01	27	781	613	602	593	27	781	613	602	593	27	781	613	602	593	27	781	613	602	593	27	781	613																					
17 23 RymanRgs	5.30 0.04	51	120	14	120	530	120	14	120	14	120	530	120	14	120	530	120	14	120	530	120	14	120	530																					
7 4 Russ Tops	1	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15																					
20 19 Russell Co	0.32 0.05	81	229	229	229	81	229	229	229	229	229	81	229	229	229	81	229	229	229	81	229	229	229	81																					
20 24 Ryter Spcr	0.80 0.03	214349	161	145	145	161	145	145	145	145	145	161	145	145	145	161	145	145	145	161	145	145	145	161																					
25 13 Ryland Grp	0.80 0.05	26	190	184	184	26	190	184	184	184	184	26	190	184	184	26	190	184	184	26	190	184	184	26																					
S																																													
20 23 S Adm R	2.06 0.03	17	41	253	201	201	17	41	253	201	201	17	41	253	201	17	41	253	201	201	17	41	253	201																					
15 11 S CDR	0.24 0.02	4	281	141	141	4	281	141	141	141	141	4	281	141	141	4	281	141	141	4	281	141	141	4																					
32 30 SCS Techn	1.28 0.04	24	17	16	32	30	24	17	16	32	30	24	17	16	32	30	24	17	16	32	30	24	17	16																					
5 3 SCSch445	1.64	462	1	1	1	164	462	1	1	1	1	164	462	1	1	164	462	1	1	164	462	1	1	164																					
12 11 Sabine Rlt	1.51 0.13	7	7	7	7	7	151	0.13	7	7	7	7	151	0.13	7	7	7	7	151	0.13	7	7	7																						
6 7 Sabercom	0.10 0.02	8	170	85	85	10	10	8	170	85	85	10	10	8	170	85	10	10	8	170	85	10	10																						
12 6 Sabed Sd	2.00 0.05	22	100	121	121	200	0.05	22	100	121	121	200	0.05	22	100	121	121	200	0.05	22	100	121	121																						
27 26 Sabeksys	0.22 0.01	31	229	229	229	31	229	229	229	229	229	31	229	229	229	31	229	229	229	31	229	229	229	31																					
21 12 Sabertr	191520	184	184	184	184	184	191520	184	184	184	184	191520	184	184	184	191520	184	184	184	191520	184	184	184	191520																					
21 12 Sabertr	191520	184	184	184	184	184	191520	184	184	184	184	191520	184	184	184	191520	184	184	184	191520	184	184	184	191520																					
20 26 Sabertr	1.20 0.05	21	236	229	229	20	20	21	236	229	229	20	20	21	236	229	20	20	21	236	229	20	20	21																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																					
30 26 Sabertr	0.80 0.01	36	31	33	33	30	80	0.01	36	31	33	30	80	0.01	36	31	33	30																											

NASDAQ NATIONAL MARKET

AMEX COMPOSITE PRICES

GREATER MANCHESTER

The FT proposes to publish this survey on
June 14 1991.
It will be of particular interest to the 130,000 readers of the
FT who are of Director or Manager status in the UK, Northern
Ireland and the Financial Markets who rely on the FT for
company information.
This survey will also prove to be very topical coming as it
does just on the heels of the announcement of Manchester's
win of the UK nomination to host the year 2,000 Olympic
Games.
For copies of the editorial synopsis and advertisement costs
contact:
Ruth Flanagan
Financial Times
Alexandra Building
London SW1

Tel: 061 834 9381
Fax: 061 832 9343

BRUNSWICK, BOSTON 1790

GROWING BUSINESS

The FT proposes to publish this survey on **JULY 9 1991**. The Financial Times unsurpassed reputation for producing topical authoritative editorial ensures that this survey will be essential point of reference for those key decision makers involved in the growing business sector. If you want to reach this important audience, call Antony Carbonari on 071 873 3412 or fax 071 873 3064.

FT SURVEY

THE FT INTERVIEW

The 'vision thing' at the LSE

John Ashworth, director of the London School of Economics, speaks to Andrew Adonis

Ken Livingstone and John Ashworth might not have much in common politically. But when it comes to academia, they are birds of a feather. After all of six months as director of the London School of Economics, Mr Ashworth is already bidding to move it lock, stock and barrel to County Hall, former home of Mr Livingstone's defunct Greater London Council. His campaign to get it there looks set to be a bit as flamboyant as Mr Livingstone's was to stop Margaret Thatcher getting him out in 1986.

"Vision" and "business" are Mr Ashworth's catchwords. A biologist by training, he has spent his whole life in academia apart from four years as Chief Scientist to the Central Policy Review Staff, yet speaks the lingo of a company chairman. Higher education is "a world growth industry"; universities are "businesses in which Britain has enormous competitive advantages"; the LSE "needs a science park, and one of a new kind".

Do his colleagues like being part of a "business"? "Many of them don't like it at all," he says histrionically. "It's one of the things that makes me sick about academic life. But they have got to start thinking in businesslike terms."

The LSE is Mr Ashworth's second large company. The first was Salford University near Manchester, which specialises in science and technology. When in 1981 he became Salford's managing director (some say "vice-chancellor"), the receivers were at the gate and the outlook was bleak. By the time he left, nine years later, order books were full, joint ventures with local companies were flourishing, and the shareholders were happy.

"The only complaint of the student leaders" he recounts of a well-wishing delegation "was that we didn't force them to learn another language".

To be fair, Mr Ashworth has taken care, if not to learn the LSE's language, then at least to master the right jargon. He talks of the University Funding Council using its "monopsonic powers to drive down the unit of resource", and pays homage to the LSE's "long and honourable tradition in the elite of international social science research institutions".

He is particularly proud of the LSE's European credentials. One-sixth of its students come from the European mainland, with Germany number after



JUSTINIAN

A nyone visiting the United States is instantly struck by the legalism of its people. It is not just a wholly admirable attachment to a written constitution guaranteeing the fundamental human rights and freedoms which generates a dash to the courts of law. There is an overwhelming desire on the part of Americans to submit to the legal process every conceivable human dispute, whether it be against public authority or a fellow citizen. In consequence, there are in the US more lawyers per 100,000 of the population than in any other society in the world – and almost three times as many lawyers per head than there are in Britain.

The obsessive devotion to resort to law at the drop of a hat is never more evident than in the country's prisons – euphemistically called correctional facilities. At one of these facilities – the Massachusetts Treatment Centre in Bridgewater, which was purpose-built for sex-offenders in the mid-1980s and now holds some 250 serious offenders – there is a splendid library. A sign at the entrance proclaims its status as a "general library and legal library".

There is little doubt that American courts' ready acceptance of class actions brought by civil liberties organisations against state governments has produced some dramatic improvements in the conditions (some of them appalling) in the state prisons and county jails.

Actively to encourage individual prisoners to litigate a myriad of complaints against correctional authorities seems, however, to go beyond equipping the underprivileged with



"We've got to recognise the threats on the horizon"

the US. "The LSE used to call itself the British institution open to the world. 'British' should now be replaced by 'European'." The Master of Science degree in European studies has grown from eight students to 52 in the last decade alone.

But "the visioning process" is Mr Ashworth's main concern. The need for the LSE to "change", "reform" and "adapt" comes in every sentence. Three months after arriving, he circulated a paper entitled "The LSE: a 2020 Vision", which was full of warnings about a descent into mediocrity if change was not forthcoming.

"It was followed by an amazing pause," he says. Then came the deluge – 450 pages of it – "from short notes saying 'you must be out of your tiny little mind', to 30-page essays. Most of it was positive; the School as a whole is engaged in the visioning process. You have come in the middle of a raging debate."

In case the heat subsides, Mr Ashworth has just circulated another 20-page paper, this one entitled "Responses to the 2020 Vision". There is sympathy all round ("I would agree that academic salaries are too low"); backing down on a few issues; even the occasional retraction – though invariably with a harped tail. ("Many felt offended by my seeming to suggest that the LSE was not as good an institution as its reputation suggests, and/or you thought it to be. I apologise for the offence, but not for raising the issue".

For the rest, though, it simply restates the case. "We have got to become more productive and more efficient. We must have a higher value-added than the average," he says. "The real obstacle to change is a psychological one: you become a prisoner of your past successes." He then recounts the tale of the British motorcycle industry in the 1980s. "It had 80 per cent of the world market and didn't see the threat on the horizon. We have got to recognise the threats."

Not everyone at the LSE is convinced that "the School" needs Mr Ashworth's shock treatment. "We aren't Salford," grumbles one malcontent, "and we're being told that we are on the verge of ruin, when that's patent nonsense".

But Mr Ashworth is having none of it. His reform agenda is bold and extensive: the LSE needs a large increase in its intake; it requires more and better research centres; it

should shift its emphasis and resources from undergraduate students to post-graduates. It should also use its facilities more intensively – though Mr Ashworth plays down one of the main controversies raised by his original paper, which proposed running two separate student intakes each year, keeping the LSE open and the staff teaching for all but two weeks of the year.

Pride of place, however, goes to County Hall. "The English have an unending tendency to think small," he says. "When in doubt they seize the second order. Well, I'm only interested in the first order. And whether or not we go to (County Hall) depends in part on whether we conceive of ourselves in grand terms."

"This is a political decision in every sense," he says. In case LSE staff do not realise it, his latest paper makes the point bluntly. "I hope," runs

PERSONAL FILE

1938 Born. Educated West Buckland School, Devon, and Oxford and Leicester Universities.

1963-73 Lecturer in biochemistry, University of Leicester

1974-76 Professor, University of Essex

1976-81 Chief Scientist, Central Policy Review Staff

1981-90 Vice-Chancellor, University of Salford

1990- Director, London School of Economics

the director's injunction, "that I can look to all of you for support in the public campaign... to be sure of success".

Mr Ashworth is up-heat about his prospects. "It's outcome depends on whether the government wishes to signal its commitment to higher education and training by using the site for public education purposes. It has every reason

to do so." Put like that, who could refuse? With an eye to MPs, Mr Ashworth talks of special research facilities for the House of Commons library and more accommodation for MPs' researchers. And in case Mr Kinnock should ever hold sway in the Palace of Westminster just opposite, he emphasises the space left over for Labour's proposed Greater London Authority.

"The building is three times larger than our present site at Houghton Street. Even in my most exuberant expansionist mood I don't envisage us more than doubling in size".

Hardly a modest goal, some might say. But Mr Ashworth talks of the country at large in much the same terms. "The education system is like a loaded oil tanker. Ken Clarke [the education secretary] can dance as much as he likes on the bridge, but it will take a long time to change direction."

He welcomes most of the changes announced in last week's white paper on further and higher education, especially the ending of the so-called binary divide between universities and polytechnics. "The existence of the binary divide perpetuates the illusion that there are only two kinds of higher-education institution in Britain. In fact there are four or five tiers, and people will start to realise that."

Mr Ashworth expects "a wave of mergers", and rapid internal reform. "We are moving towards a mass system of higher education which has at least as much in common with France and Germany as with what has gone before in this country" – a prospect he clearly relishes, not least as a means of overcoming "that parochial arrogance which is one of our main national weaknesses".

Nonetheless, he is not uncritical of Kenneth Clarke's

efforts. "A-levels are dying. He should have made a virtue out of reality and moved towards a broad but liberal school-leaving certificate for 16-year-olds," he says. He stresses the need to break down the divide between academic and vocational training, and would like to see Labour's proposals for a unified, modular system of post-16 academic and vocational courses taken "very seriously indeed".

But the major criticism is on higher education funding. "The white paper was remarkably thin on how the expansion of higher education is to be paid for. We cannot double numbers by the year 2000 simply by improving efficiency."

And what of Mr Ashworth by the year 2000? The LSE dominates the horizon for the foreseeable future. "Four years in the Cabinet Office innoculated me against any desire to become a politician". But once safely ensconced in Mr Livingstone's chair at County Hall, who knows?

the director's injunction, "that I can look to all of you for support in the public campaign... to be sure of success".

Mr Ashworth is up-heat about his prospects. "It's outcome depends on whether the government wishes to signal its commitment to higher education and training by using the site for public education purposes. It has every reason

to do so."

Put like that, who could refuse? With an eye to MPs, Mr Ashworth talks of special

research facilities for the House of Commons library and more accommodation for MPs' researchers. And in case Mr Kinnock should ever hold sway in the Palace of Westminster just opposite, he emphasises the space left over for Labour's proposed Greater London Authority.

"The building is three times

larger than our present site at Houghton Street. Even in my most exuberant expansionist mood I don't envisage us more than doubling in size".

Hardly a modest goal, some

might say. But Mr Ashworth

talks of the country at large

in much the same terms. "The

education system is like a

loaded oil tanker. Ken Clarke

[the education secretary] can

dance as much as he likes on

the bridge, but it will take a

long time to change direction."

He welcomes most of the

changes announced in last

week's white paper on

further and higher education,

especially the ending of the

so-called binary divide

between universities and

polytechnics. "The white

paper was remarkably

thin on how the expansion

of higher education is to be

paid for. We cannot double

numbers by the year 2000

simply by improving efficiency."

And what of Mr Ashworth

by the year 2000? The LSE

dominates the horizon for the

foreseeable future. "Four

years in the Cabinet Office

innoculated me against any

desire to become a politi-

cian". But once safely en-

closed in Mr Livingstone's

chair at County Hall, who

knows?

The confidence is based

mainly on encouraging recent

trends in economic statistics,

rather than on anecdotal evi-

dence or real-world examples

of renewed vigour. Indeed,

many economists readily

concede that the analysts at

their companies responsible for

industrial sectors tend to be less

optimistic. Leading industrial

sectors remain glum about the

sales and profit outlook.

Positive trends include what

Mr McKelvey calls a "reasonably definitive" recovery in the

housing market, usually a reliable leading indicator for the

economy; an increase in retail

sales that some hope may

mark the beginning of a con-

sumer revival; and an abnor-

mally low level of inventories

A C-minus for economics

Might the US economy prove President George Bush's undoing? Americans have endured slow or negative growth almost since the day he took office. Public opinion can accept a shallow recession after the boom of the 1980s, but patience will surely wear thin if Mr Bush cannot soon deliver vigorous growth: gross national product has not grown at more than 1.7 per cent in any quarter since his inauguration.

The consensus view –

which is usually wrong –

holds that economic recovery

is just around the corner. Mr

Michael Boskin, the White

House chief economist, and Mr

Richard Darman, the budget

director, both claim that the

recession will bottom out this

quarter. A poll by the National

Association of Business Econo-

mists shows that more than 70

per cent of private sector ana-

lysts believe the economy has

already hit bottom or will do so

by the end of June.

A quick tour of Wall Street

last week produced a similarly

upbeat tone. Most economists

spoke to were fairly confident

that a recovery would begin

shortly. Mr Stephen Roach of

Morgan Stanley said the recession

had "just about run its

course". Mr Edward McKelvey

of Goldman Sachs said the

macro-indicators were "pretty

much pointing to turnaround

now". Mr Richard Berner of

Salomon Brothers said the